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E-Commerce Security Gains

American Express to announce standard for electronic corporate purchasing

By Clinton Wilder
 Issue date: April 28, 1997

The promise of widespread credit-card use on the Internet is edging closer to reality. An American Express-sponsored initiative will announce next month a set of technology and business-practice standards for companies to buy goods and supplies over the Net. Meanwhile, Hewlett-Packard will acquire VeriFone Inc., the world's leading provider of hardware and software for credit-card transaction processing, for \$1.15 billion in stock.

The American Express-sponsored Internet Purchasing Roundtable will announce OBI-1, the Open Buying on the Internet standard, which will include protocols for qualified user profiles, client authentication, and catalog formats.

With companies such as American Express and HP investing heavily in Internet transaction infrastructure, backers are hoping that online payments by both consumers and businesses will begin to take off later this year or in early 1998. Roundtable member companies plan to test the OBI-1 payment standard over the next six months.

Members include purchasers such as BASF, Ford, National Semiconductor, and United Technologies, and sellers such as Office Depot and Staples. Technology vendors working with the group include Actra Business Systems, Microsoft, Open Market, and Oracle.

Pivotal to widespread acceptance of online payments is the Secure Electronic Transactions protocol, a standard backed by Visa and MasterCard that protects credit-card payments as they traverse the Internet. The first iteration of SET is slated to be released in June; a second version, which may support additional encryption schemes, is expected by year's end.

The combination of HP and Redwood City, Calif.-based VeriFone, announced last week, could be a catalyst for SET implementation. HP this week will announce the next version of VirtualVault, software that protects legacy applications and data from damage by Internet users. VirtualVault 2.0 does not support SET, but Ray Bamford, business manager for VirtualVault, says it will add SET support sometime this year.

With additional reporting by Beth Davis

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"internet purchasing roundtable" and V0.9b


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1. [Open Buying on the Internet \(OBI\) is not a software package or a third-party vendor](#) 
... **Internet Purchasing Roundtable** convened. 4th Qtr 1996. OBI **V0.9b** standard released ...
www.emory.edu/BUSINESS/et/P98/obi - 17k - [Cached](#)

2. <http://web.mit.edu/kim/tech-review> 
Sally will provide directions to the Babson Center for Executive Education and recommended lodging in the local area. ... Who: **Internet Purchasing Roundtable**, SupplyWorks, and American Express Invitees What: OBI Technical ... the Internet (OBI) Standard, Release **V0.9b**" (January 1997). The high level ...
web.mit.edu/kim/tech-review - 6k - [Cached](#)

3. <http://web.mit.edu/kim/tech-review2> 
To: mfrey@grainger.com cc: kim Subject: OBI Technical Review ----- Martha, Thanks again for your feedback and comments. ... OBI Technical Review Who: **Internet Purchasing Roundtable**, SupplyWorks, and American Express Invitees ... the Internet (OBI) Standard, Release **V0.9b**" (January 1997). The high level ...
web.mit.edu/kim/tech-review2 - 7k - [Cached](#)

4. http://www.business.vu.edu.au/bco2501/Lectures/2003/BCO2501_L7_B2B_EDI_2003.ppt (MICROSOFT POWERPOINT) 
... 3rd Qtr 1996 **Internet Purchasing Roundtable** convened. 4th Qtr 1996 OBI **V0.9b** standard released ...
www.business.vu.edu.au/bco2501/Lectures/2003/BCO2501_L7_B2B_EDI_2003.ppt - 602k - [View as html](#)

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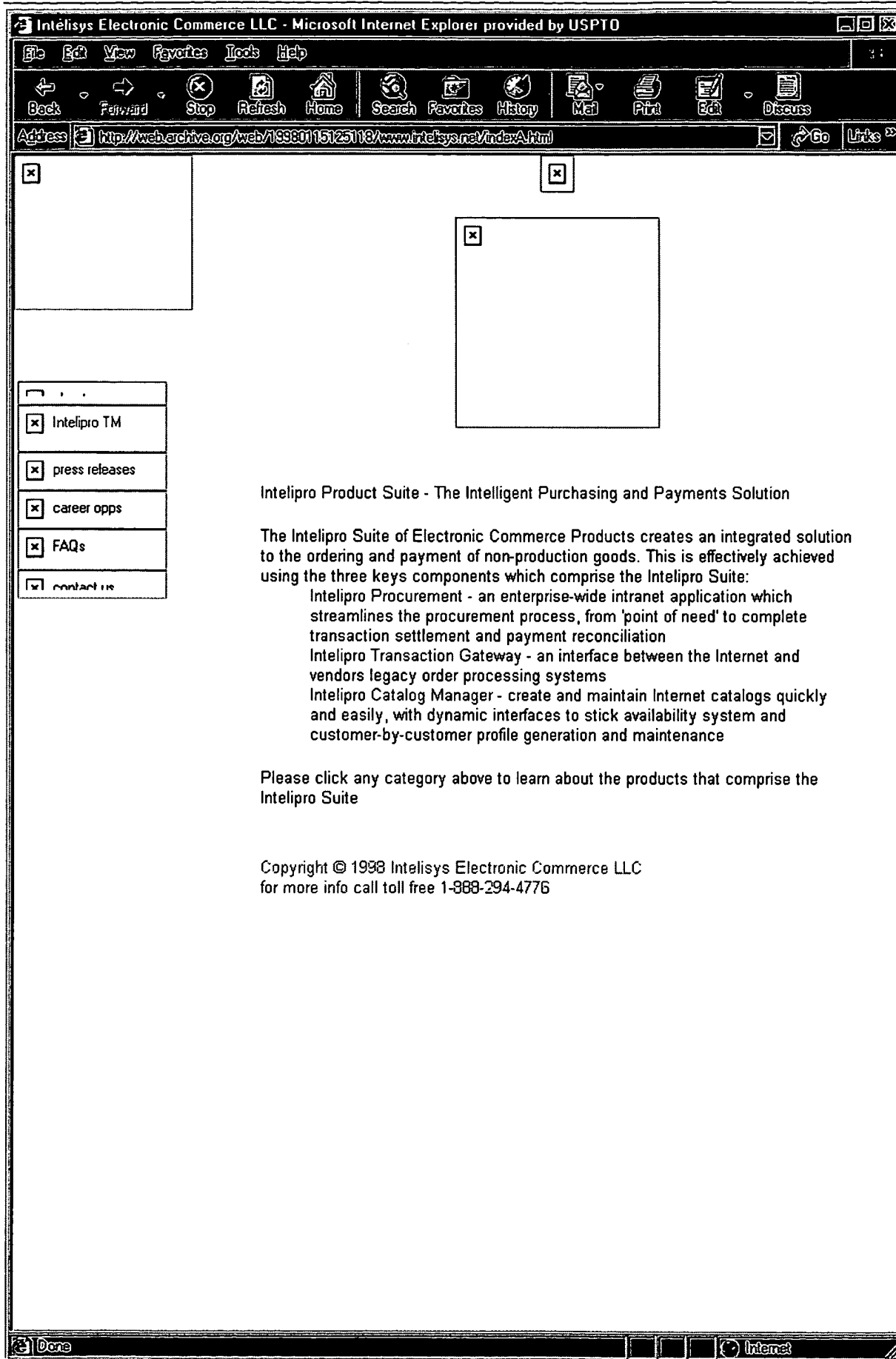
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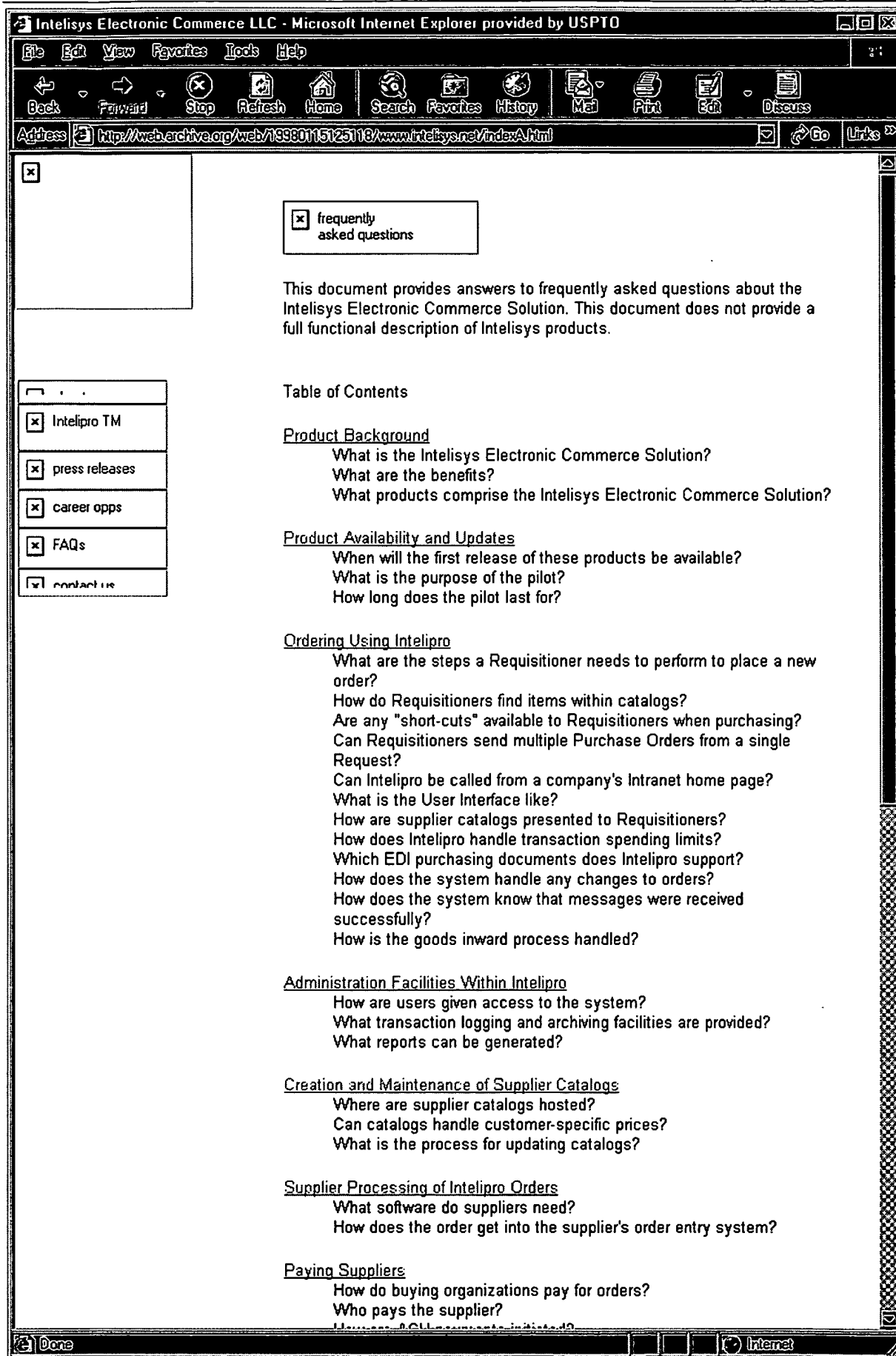
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Proof of Concept

OBI Interoperability Action Showcase

- [Action Showcase Agenda](#)
- [Welcome to the OBI Interoperability Showcase](#) (Presentation by Patrick Gannon and Monica Luechtefeld)
- [Microsoft eCommerce & Open Buying on the Internet](#) (Presentation by Michael Kim)
- [Internet Commerce](#) (Presentation by Melissa Campbell)
- [Intelisys Electronic Commerce, LLC](#) (Presentation by Peter Rawlinson)
- [OBI Interoperability Showcase](#) (Presentation by Jim Oravec)

The OBI Action Showcase, a software exhibition featuring OBI-interoperable electronic commerce solutions, will take place on Thursday, September 24, at the Los Angeles Convention Center, as part of the [Internet Commerce Expo \(ICE\)](#). Participating companies will demonstrate the interoperability of open, vendor-neutral technology supporting business-to-business Internet commerce, using the OBI standard.

The Open Buying on the Internet (OBI) standard was developed to provide an easy-to-use, open, standards-based purchasing solution for the procurement of high-volume, low-dollar indirect goods and services. The OBI Interoperability Action Showcase will be the first large-scale public demonstration of solutions employing the OBI standard v. 1.1. Demonstrations at the OBI Action Showcase will simulate the buying experience as it is enhanced by OBI. Attendees will be able to create requisitions and follow their progress through the procurement cycle with input from multiple vendors.

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Last Revised: 01/14/99

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Open Buying on the Internet



OBI Consortium, Inc.

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650-858-1936 (Fax)

For more information, contact:

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Gabriele Rennie, Program Manager gabriele@openbuy.org

<http://www.openbuy.org>

In The News: Microsoft Internet Explorer provided by USP10		
 		
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	DATE	PUBLICATION
	September 29, 1997	Network World
	September 6, 1997	Fortune
	August 25, 1997	Net Buying Standard Goes Live
	August 19, 1997	ComputerWorld
	August 4, 1997	Internet Week
	August 1, 1997	Bank Systems & Technology
	August, 1997	Electronic Commerce World
	July, 1997	Control Magazine
	July, 1997	Insound Logistics
	July 21, 1997	Chemical Market Reporter
	July 17, 1997	MBO buyers help set standard for Internet
	June, 1997	Purchasing Today
	July 1, 1997	http://web.archive.org/web/19991012061453/http://www.sdsi.com/future/ibw/ibw.htm
	June, 1997	EC COM
	June, 1997	Manufacturing Systems
	June 23, 1997	IndustryWeek
	June 19, 1997	VAR Business
		E-commerce standard breathes the soul into Setting Standards for Corporate Purchasing on the Internet
		Search closed into the Web IBM Struts Reach Through Global E-Commerce Initiatives Open Standard for Business Published Internet Standard for Purchasing Web Enabling Electronic Order Processing Field of (Electronic Commerce) Dreams Commerce on the Information Highway
		Net Specs
		Setting Standard Draws Support EC Vendor and Strategic Partners Series Java's Impact on J2E Purchasing an Idea Increasing E-Commerce

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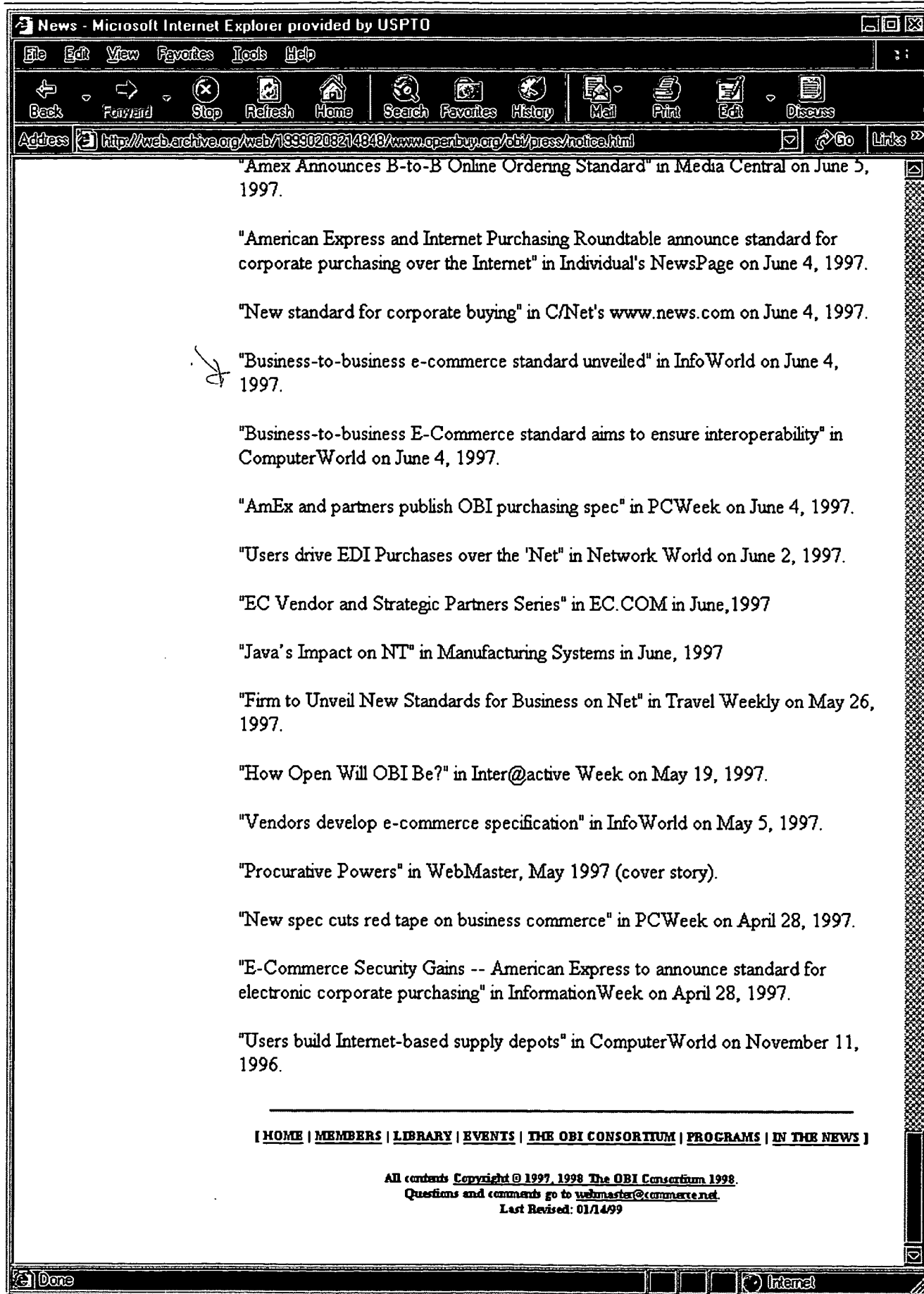
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Address: http://web.archive.org/web/1999101206453/http://www1.xdnet.com/interch/

June 8, 1997	ONet	Internet Purchasing Purchasing standard for standard for corporate purchasing over the Internet New standard for corporate buying
June 4, 1997	InfoWorld	Business-to- business e- commerce standard unveiled Business-to- business e- commerce standard aims to ensure interoperability AsPs and partners publish ONet purchasing spec
June 4, 1997	ComputerWorld	Users drive EDI Purchasing over the Net Firm to Unveil New Standards for Business on Net
June 3, 1997	Network World	How Open Will ONet Be?
May 26, 1997	InterWeek	Producers develop e- commerce specification Procurement Process New spec sets rules for on- business commerce E-commerce Security Comes - American Express in announces standard for electronic corporate purchasing Users build Internet-based supply depot
May 19, 1997	http://web.archive.org/web/1999101206453/http://www1.xdnet.com/interch/	
May 5, 1997	InfoWorld	
May, 1997	WebMaster	
April 29, 1997	PCWeek	
April 28, 1997	InformationWeek	
November 11, 1996	ComputerWorld	

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Last Modified: 04/25/99





WELCOME

OBI Interoperability Showcase

Internet Commerce Expo

September 24, 1998

Presented by:

Monica Luechtefeld, President OBI Consortium, VP Office Depot
Patrick Gannon, Executive Director OBI Consortium, VP CommerceNet

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For contact information at OBI and our location.

Backgrounder

The Need and History of OBI, The Standard -- Definition and Objectives, The Benefits, and The Next Phase of Open Buying on the Internet.

OBI Board of Directors

OBI Members

Goals of the OBI Consortium

During the first meeting of the OBI Consortium, held September 23-24, 1997, the group developed the following set of communal goals.

Primary Goals

- Specify OBI compliance and an OBI certification process
- Meaning of OBI for buying and selling software and solutions
- Encourage and oversee a specific number of OBI Pilots
- Drive market acceptance of OBI
- Articulate the value proposition for each OBI entity
- Benchmarking and "Best Practice"
- Marketing and Education Activities
- Refine specification
- Resolve open technical and business issues

Secondary Goals

- Expand the scope of the OBI Standard
- Increase membership in the OBI Consortium
- Create demonstrations and working models that reflect the OBI Standard

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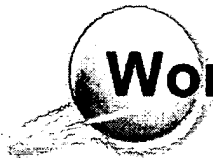
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OBI Working Groups - Microsoft Internet Explorer provided by USPTO

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Working Tracks

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Working Tracks

Workgroups allow buying and selling, as well as technical and other companies, to have direct input into the OBI standard. The groups meet as needed during the year, and present formally at the Quarterly Roundtable meetings.

Charters

Specification

The focus of this group is to refine the technical specification as needed. This includes developing XML capabilities and implementing CEFAC EDI

Implementation

This group acts as a repository for information related to OBI pilots, including data on building a business case for an OBI pilot, providing profile information from other OBI pilots, and providing a standardized pilot work plan. The Implementation group has developed a framework for reporting and tracking pilot activity, a survey form, and implementation guidelines.

Compliance & Certification

This group is defining business requirements for future specification versions, specifying the requirements for technical interoperability among OBI-compliant systems, and developing a set of recommendations for creating an OBI certification process.

- OBI Certification Working Group (Members Only)

Marketing

This group was chartered to drive the acceptance of the OBI standard and increase membership in the OBI Consortium. This group produces collateral, and is planning a speakers' bureau. The group develops Feature Sheets highlighting successful implementations of the OBI standard, and manages press releases for the Consortium.

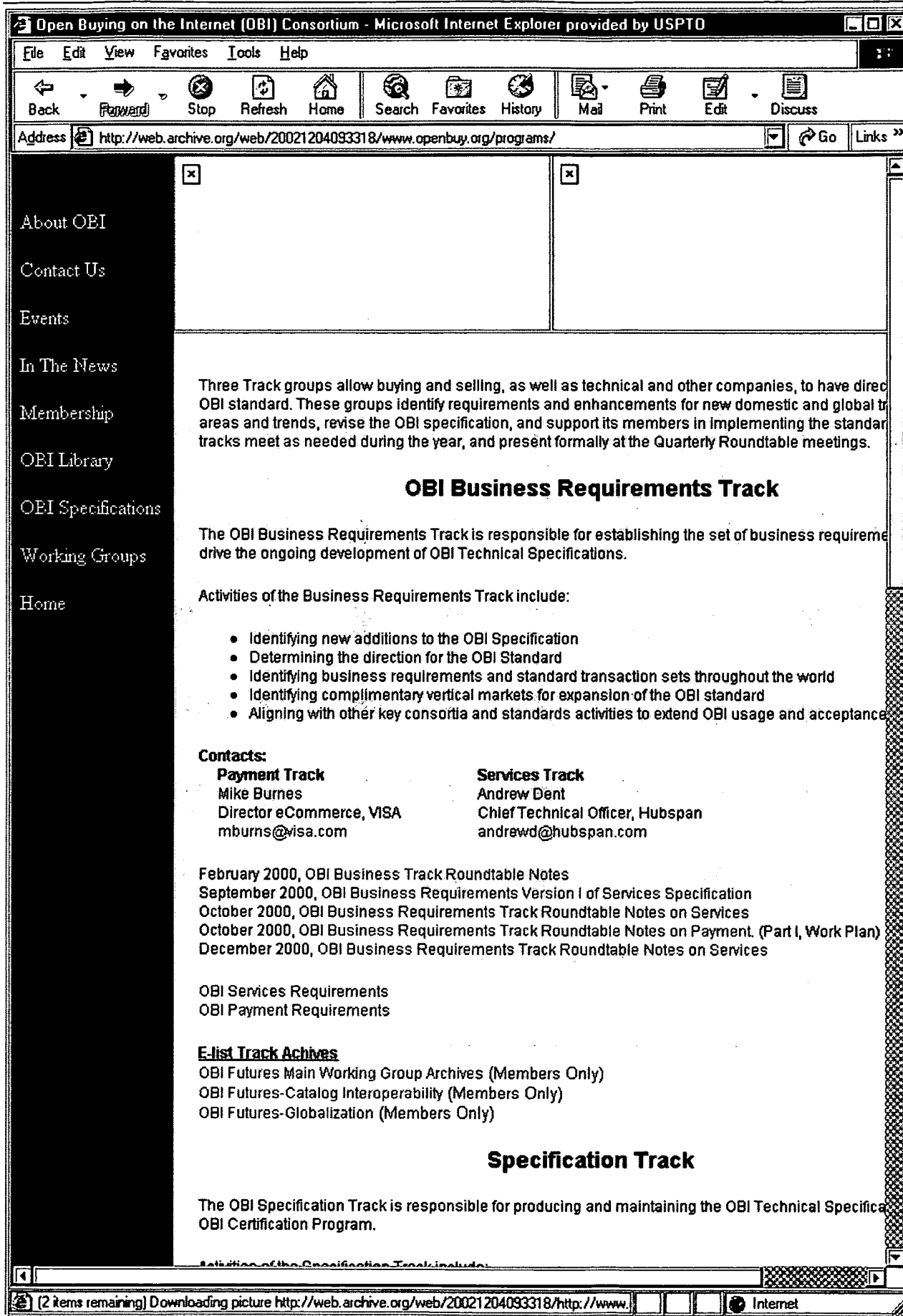
Futures

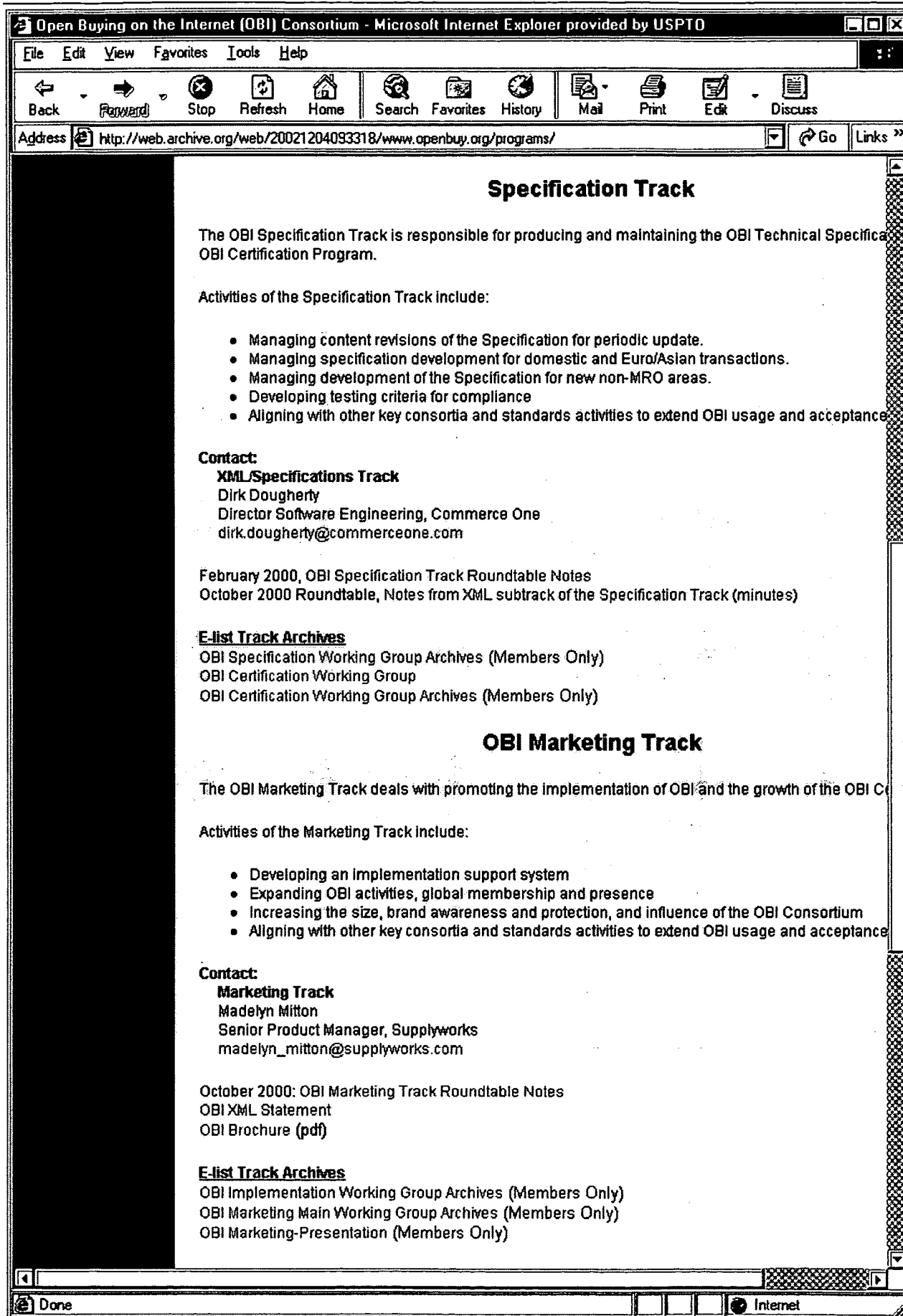
The focus of this group is to identify future Consortium initiatives. It evaluates the status of XML, and identifies requirements for other procurement models.

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Specification Track

The OBI Specification Track is responsible for producing and maintaining the OBI Technical Specification and the OBI Certification Program.

Activities of the Specification Track include:

- Managing content revisions of the Specification for periodic update.
- Managing specification development for domestic and Euro/Asian transactions.
- Managing development of the Specification for new non-MRO areas.
- Developing testing criteria for compliance
- Aligning with other key consortia and standards activities to extend OBI usage and acceptance

Contact:

XML/Specifications Track

Dirk Dougherty
Director Software Engineering, Commerce One
dirk.dougherty@commerceone.com

February 2000, OBI Specification Track Roundtable Notes
October 2000 Roundtable, Notes from XML subtrack of the Specification Track (minutes)

E-list Track Archives

OBI Specification Working Group Archives (Members Only)
OBI Certification Working Group
OBI Certification Working Group Archives (Members Only)

OBI Marketing Track

The OBI Marketing Track deals with promoting the implementation of OBI and the growth of the OBI Consortium.

Activities of the Marketing Track include:

- Developing an implementation support system
- Expanding OBI activities, global membership and presence
- Increasing the size, brand awareness and protection, and influence of the OBI Consortium
- Aligning with other key consortia and standards activities to extend OBI usage and acceptance

Contact:

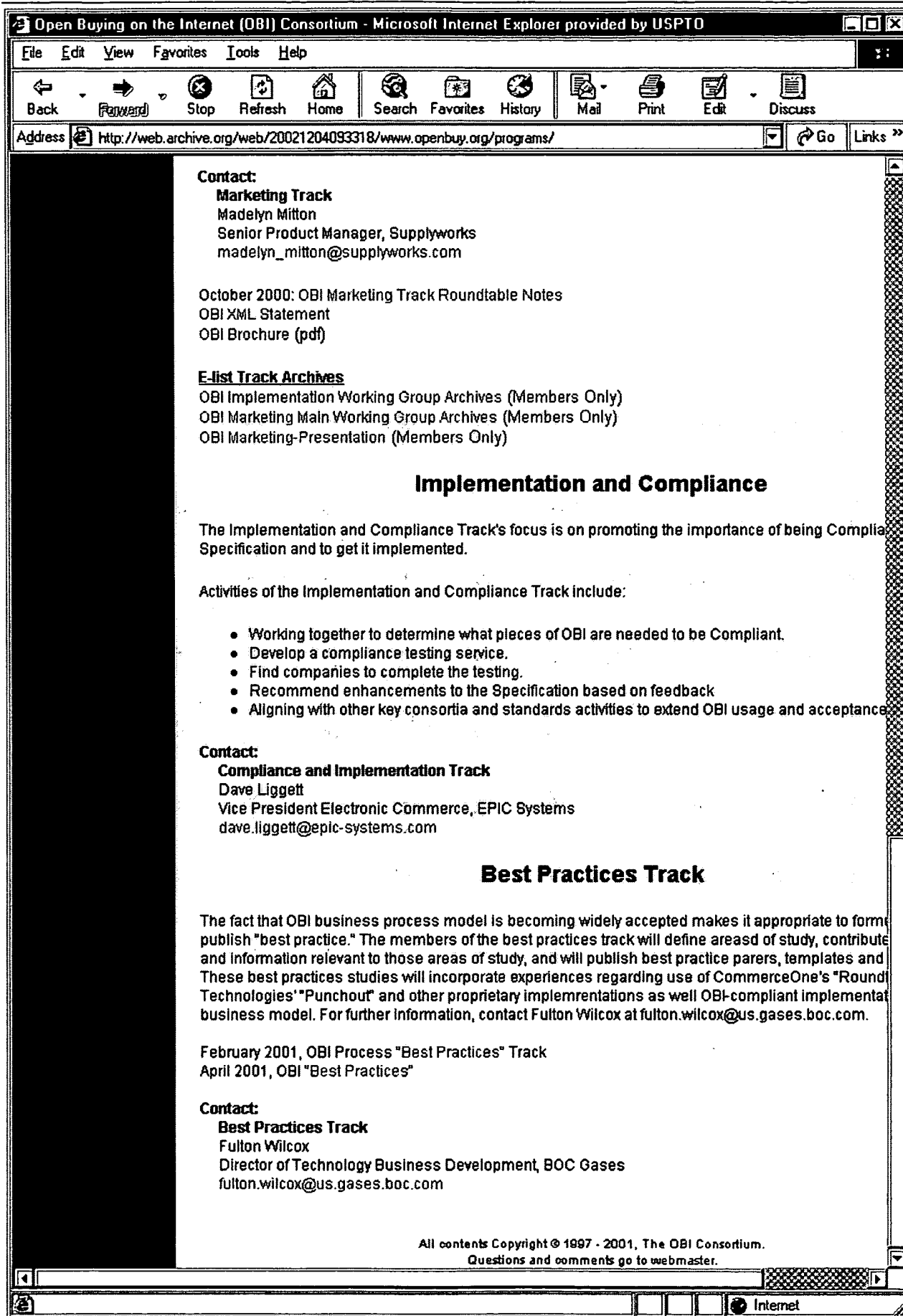
Marketing Track

Madelyn Mitton
Senior Product Manager, Supplyworks
madelyn_mitton@supplyworks.com

October 2000: OBI Marketing Track Roundtable Notes
OBI XML Statement
OBI Brochure (pdf)

E-list Track Archives

OBI Implementation Working Group Archives (Members Only)
OBI Marketing Main Working Group Archives (Members Only)
OBI Marketing-Presentation (Members Only)



OBI History

- Initially, American Express funded the Purchasing Roundtable (later becoming the OBI Consortium) in order to insure that the interests of payment providers were included. Now, the Consortium is funded by the more than 60 member organizations.
- **STARTING**
 - 1st Qtr 1996 MIT Electronic Commerce Action Team (ECAT) Launched
 - 2nd Qtr 1996 SupplyWorks founded
 - American Express Market Research conducted
- **SPECIFYING**
 - 3rd Qtr 1996 Internet Purchasing Roundtable convened
 - 4th Qtr 1996 OBI V0.9b standard released
 - 1st Qtr 1997 Solution providers review design
 - 2nd Qtr 1997 OBI V1.0 standard release
 - OBI Consortium incorporated
- **IMPLEMENTING**
 - 3rd Qtr 1997 First OBI pilots announced
 - OBI Consortium activities begin
 - 2nd Qtr 1997 CommerceNet hired to facilitate and support OBI
 - OBI Interoperability showcased
- **Release of Version 3 in 2003**
 - incorporating high volume XML transactions

Source: 'OBI-Open Buying on the Internet',
<http://www.emory.edu/BUSINESS/et/P98/obi/> accessed 15/9/03


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Emerging Technologies - Microsoft Internet Explorer provided by USPTO

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E T Emerging Technologies

Project Objective: *General Manager's View of Emerging Technologies*

It is the intent of this project to profile, from a general management perspective, an emerging technology and "brief" your *management committee* (er, classmates) on the potentials and limitations of the technology. Ideally, the selected technologies are on, or might be on, the radar screens in your own markets.

Your Executive Briefing should include:

- Identification/definition of the Technology (How do I recognise it?)
- Recent applications (initial target domains)
- Explanation and profile of the technology
- Identification of major players/users (Links)
- Assessment of limitations and potential (caselet)
- Brief history of the evolution of the technology - maybe a timeline of the keys to development and application
- How should one decide when to adopt and how to employ the technology?
- Future development and expectations
- Other comments on the adoption and leverage of the technology

Examples

Digital Receipts, flying robots, disposable cellphones, fuel cells, hypersonic sound, passport, 3G, biometric security, wearable computing, GLOBUS, SOAP, wolfpack clustering, grid computing, object request brokers, embedded AI, UDDI, and MAVs.

[Example ET Projects](#) <-- See Prior Examples

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Benn Konsynski


George S Craft Professor of Business Administration

Benn Konsynski is in the Decision and Information Analysis area in the Goizueta Business School at Emory University.

Short Bio

Prior School Affiliations:

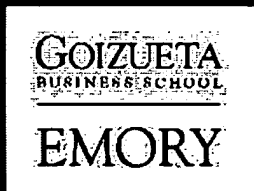
- Purdue University (PhD Computer Science)
- University of Arizona (Faculty)
- Harvard Business School (Faculty)

Bowtie--> 

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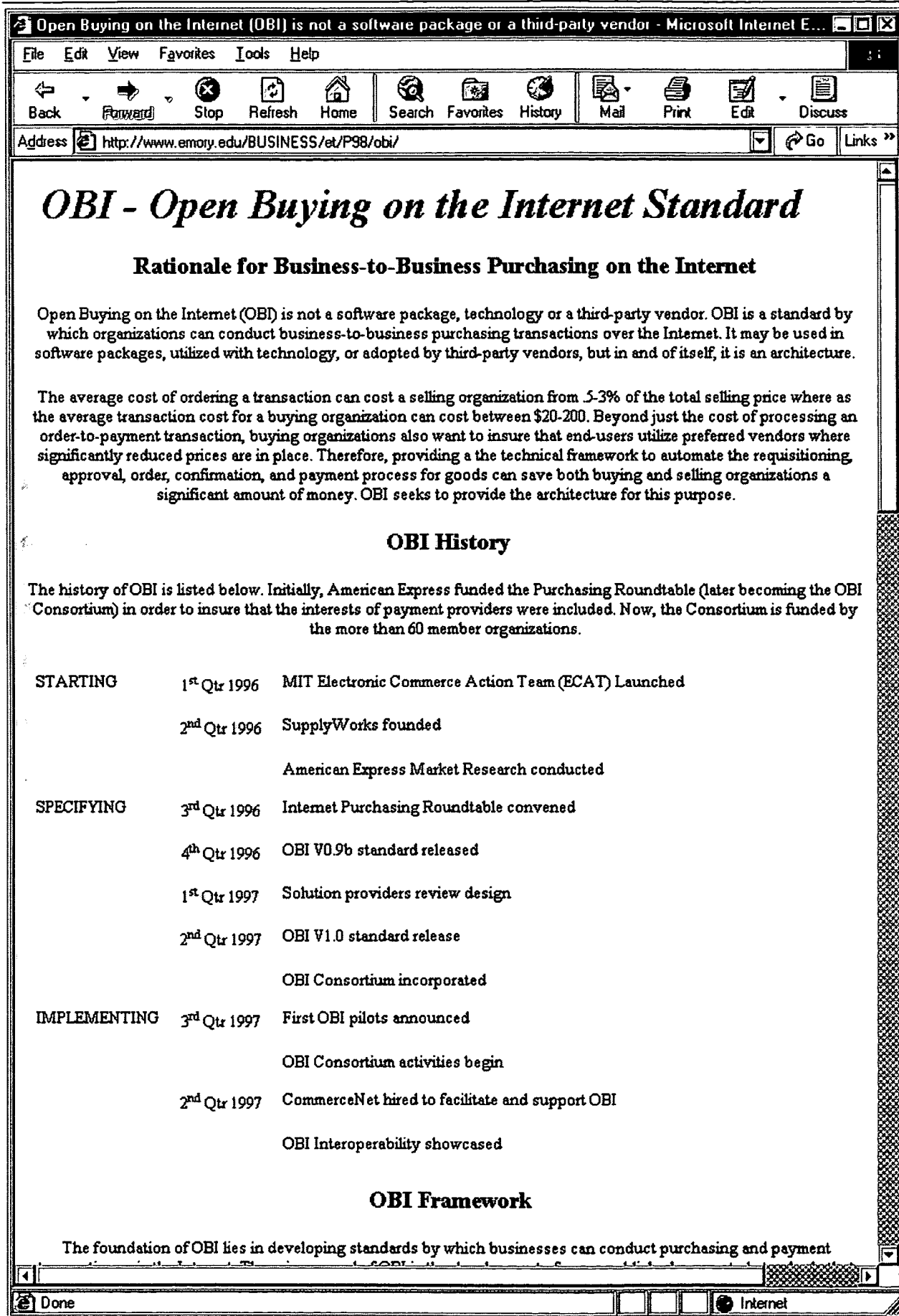
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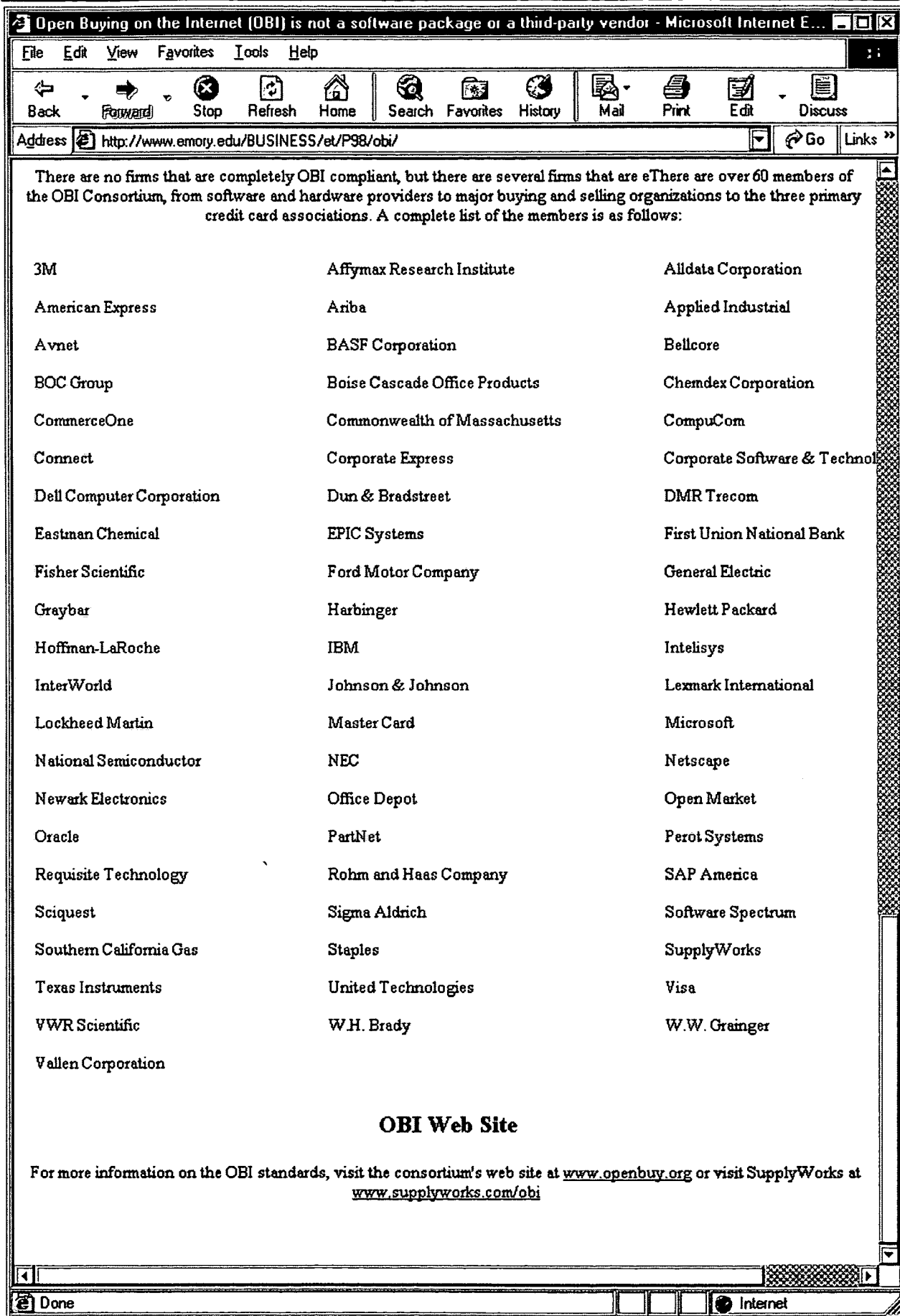
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(Latest update 2001)





1. (currently Amended) A software system for efficient procurement of operating resources within resources within an enterprise, comprising:

DB1 insertion.

(a) requisition record generating means for generating a requisition record for a requisition, the requisition record indicating at least

accept which
req. making entry

an operating resource that a requester desires to purchase, and

an **electronic receipt** generating means for generating an **electronic receipt** to acknowledge receipt of the operating resource wherein the **electronic receipt** to indicate one of an acceptance or rejection of a received operating resource and facilitate payment for the accepted operating resource upon acceptance

the requisition record generating means generating the requisition record responsive to a combination of:

- a. input by a requestor including a commentary entry describing a purpose for indicating the operating resource to the requisition record; and
 - b. operating resource information **extracted from** an operating resource information database;
- (b) approval path determining means, responsive to the requisition record to approval rules in an approval rules database, for determining an approval path for the requisition record, among various ones of a plurality of possible approvers, required to approve the requisition record based on the commentary entry;
- (c) approval path handling means for guiding the requisition record along the determined approval path, wherein the approval path handling means generates a global approval indication based on the commentary entry and in response to the requisition record successfully traversing the approval path.

2. (original) The system of claim 1, and further comprising:

order generating means for generating an order record to a supplier of the desired operating resource and for communicating the order to the supplier.

3. (original) The system of claim 2, wherein the requisition record includes an indication of the supplier.

4. (Previously presented) The system of claim 2, wherein the order generating means includes means for determining a method of communicating the order to the supplier.

5. (previously presented) The system of claim 1, wherein the approval path determining means determines the approval path for the requisition record at least in part in response to a purchase amount field in the requisition record.

6. (original) The system of claim 1, wherein the requisition record generating means includes means for retrieving information about the requestor from a personal profile database associated with the requestor.

40. (currently amended) A machine-readable medium having a set of executable instructions to cause a machine to perform a method for facilitating electronic commerce, the method comprising:

- (a) querying a user with a plurality of purchasing decision questions via a user interface on a client device, wherein the user is to reply to each question by selecting one or more requisition information selections via the user interface, wherein each question is depended upon a preceding question [after final; 3/9/04]
- (b) generating automatically an electronic requisition form based on the selected requisition information, the electronic requisition form to be electronically delivered to at least one of a plurality of suppliers, the electronic requisition form to include a plurality of line items, each line item describing an item to be ordered
- (c) transmitting the electronic requisition form directly to at least one of the plurality of suppliers based on a direct order agreement between a company employing the user and the at least one supplier
- (d) generating an **electronic receipt** at the client device to indicate acceptance of at least one of the ordered items
- (e) facilitating payment for the at least one accepted ordered item by the company based on the **electronic receipt**.

41. (currently amended) The machine-readable medium of claim 40, further comprising presenting additional requisition information selections to be selected by the user via the user interface based on the previously selected requisition information

42. (currently amended) The machine-readable medium of claim 40, wherein the **electronic receipt** further indicates a rejection of at least one of the ordered items.

43. (currently amended) The machine-readable medium of claim 41, wherein the selected requisition information includes frequently-ordered items.

44. (currently amended) The machine-readable medium of claim 41, wherein the **electronic receipt** includes shipping information.

45. (currently amended) The machine-readable medium of claim 40, wherein the transmitting includes transmitting the electronic requisition form directly to the at least one of the plurality of suppliers based on a supplier profile stored on the client device.

46. (currently amended) A machine-readable medium having a set of executable instructions to cause a machine to perform a method for facilitating electronic commerce, the method comprising:

- generating an electronic requisition form to be electronically delivered to at least one of a plurality of suppliers, the electronic requisition form to include a plurality of line items, each line item describing an item to be ordered;
- transmitting the electronic requisition form directly to at least one of the plurality of suppliers

-
- generating an ***electronic receipt*** to electronically indicate a rejection to at least one of the plurality of the line items, the ***electronic receipt*** to include a comment field to describe the nature of the rejection.

47. (currently amended) The machine-readable medium of claim 46, wherein the ***electronic receipt*** further indicates a rejection of all the ordered items.

48. (currently amended) The machine-readable medium of claim 47, further comprising notifying a purchasing agent for the company of the at least one rejected ordered item.

49. (currently amended) The machine-readable medium of claim 46, wherein the ***electronic receipt*** further indicates an acceptance of at least one ordered item.

50. (currently amended) The machine-readable medium of claim 49, further comprising facilitating payment for the at least one accepted ordered item.


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Aetna rewrites the book on purchasing
Barr, Stephen. CFO. Boston: Jan 1996. Vol.12, Iss. 1; pg. 63, 4 pgs
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Subjects: [Vendor supplier relations](#), [Insurance industry](#), [Corporate purchasing](#), [Case studies](#), [Business process](#)

Classification Codes: [9190 US](#), [9110 Company specific/case studies](#), [8200 Insurance industry](#), [5120 Purchasing](#), [2320 C](#)

Locations: [US](#)

Companies: [Aetna Life & Casualty Co\(Ticker:AET , Duns:04-206-4683 \)](#) , [Aetna Life & Casualty Co\(Ticker:AET\)](#)

Author(s): [Barr, Stephen](#)

Publication title: [CFO. Boston: Jan 1996. Vol. 12, Iss. 1; pg. 63, 4 pgs](#)

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Abstract (Article Summary)

The purchasing department of Aetna Life and Casualty Co. has consolidated 6 purchasing organizations into one and has installed a single purchasing system that directly feeds its general ledger. Ninety-five percent of purchases now go through purchasing. The changes came after Tom Brown, whose background was in global sourcing in the electronics industry, was hired in 1991 as assistant vice president of purchasing in Aetna Business Resources, the company's shared services organization, and given a mandate for change. The business process reengineering effort had to run along 2 parallel paths: 1. new processes and systems to handle the low-dollar/high volume transactions more cost-effectively, and 2. stronger supplier relationships that leveraged the company's purchasing power, along with electronic links to cut down on paperwork.

Full Text (2134 words)

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When Tom Brown came to Aetna Life and Casualty Co., in November 1991, the giant insurer was in a state of controlled crisis. Tough-talking president and CEO Ronald E. Compton had just called for, in effect, a junking of the Hartford-based company's past in order to save its future. And Brown, as the new assistant vice president of purchasing (now vice president) in Aetna Business Resources, the company's shared services organization, was given a mandate for change. Even though Aetna, as a financial services business, didn't have to worry about raw material purchases and manufacturing processes, the \$17 billion firm was nevertheless looking at \$1.2 billion annually in noninventory expenses—everything from pencils and paper to consultants and computer programmers.

"I was brought in from the outside and told that Aetna had a purchasing department from the '60s and that it was costing too much," recalls the 53-year-old Brown, whose background was in global sourcing in the electronics industry and included reengineering initiatives at companies like AlliedSignal Inc., General Data Comm Inc., and

① Timex Corp. "You had people sending in invoices after the money was spent, a purchase order was put on it to cover it, and then accounts payable would pay the bills. My analogy is that we were at the end of the circus parade with the dustpan and broom cleaning up."

Without doubt, a cleanup of purchasing and accounts payable was in order. The total procurement process averaged a tortoiselike 50 days and 27 steps. There were six organizations dedicated to acquiring and paying for goods and services, yet only 40 percent of all corporate purchases flowed through them. Moreover, the 213 people who worked in these organizations were transaction-focused and spent most of their time processing paperwork. The total cost of the operations was \$19 million, and the net material acquisition cost for the company—a metric just coming into use by purchasing professionals—was 4 cents for each dollar purchased, a figure Brown felt was 3 cents too high.

Four years later, Brown ticks off Aetna's accomplishments with pride. The six purchasing organizations have been consolidated into one, and a single purchasing system that directly feeds the general ledger has been installed. Ninety-five percent of purchases now go through purchasing; "there's probably 5 percent I don't know about," he allows. The procurement process has been streamlined to one day and eight steps. Net material acquisition cost is down 60 percent, to a mere \$0.015 per \$1 purchased.

According to Brown, the customers—the Aetna work force—are happy. "They know they'll get a quality product at a good price and that it will be there when they need it."

Perhaps the best part? All this, Brown says, "was done without a consultant; it was done with people at Aetna."

EATING THE ELEPHANT

Within a few months after his arrival, Brown had dispensed with what he calls "the easy stuff"—coming up with a vision (a mission statement, complete business plan, critical success factors, action steps, metrics) of what procurement should look like and how he and a team of 60 to 80 would pull it off. From there, he says, it was "like running a manufacturing facility. What do you have to get out the door by the end of the week? What are your deliverables? Are you on schedule? That's called eating the elephant ne bite at a time, versus trying to solve the whole problem at once."

Despite the size of the meal, Brown knew the elephant could be dispatched by a leaner work force. In the spring of 1992, in the first of three major layoffs, Brown didn't simply reduce staffing across the board, but retained people who had shown an eagerness for change and displayed the skills needed to be part of the new processes. "You don't need purchasing people to run purchasing," he explains. "They used to be transaction people who want a piece of paper when someone orders a pencil. There's an up-front cost to getting rid of these people, but a bigger cost to having them around not doing what you want them to do."

Slimming down the work force was one thing; discarding inefficient practices was another. Like most companies, when Aetna analyzed its purchasing and invoicing activity, it found that a small percentage of invoices accounted for almost all of the purchasing dollars spent. That meant the reengineering effort had to run along two parallel paths: (a) new processes and systems to handle the low-dollar/high-volume transactions more cost-effectively, and (b) stronger supplier relationships that leveraged the company's purchasing power, along with electronic links to cut down on paperwork.

Addressing the first path, Aetna piloted new software in December 1992: a mainframe-based acquisition system from Walker Interactive Systems in San Francisco that automated some of the new ordering and payment processes. Reflecting a different control philosophy, the new system cut down on paperwork by eliminating the need for approvals on small-dollar purchases and allowed for something akin to a just-in-time approach—a two-way match system that cut out the receiving activities and the need for stockrooms and warehouses. The system also enabled Brown to centralize accounts payable. Six months later, the software was installed and operating for the entire procurement function.

It used to be that to buy something as simple as pencils, an Aetna employee would have to fill out a blue requisition form, get a signature approval, and forward the paperwork along to purchasing. That order would then have to be received and the paperwork matched before the bill could be sent to accounts payable, while the unused pencils would take up space in stockrooms along with all the other office supplies. The new system gives employees the power to go on line and make purchases under \$750 without preapproval. The bill goes directly from the vendor to

accounts payable. In many Aetna locations, the new system has eliminated the need for expensive space that had been used to store...well, pencils.

NEW RELATIONSHIPS

Just as important as changing Aetna's internal processes was revamping relations with the company's external suppliers. Negotiating favorable rates for various goods and services is important, says Brown, but not the entire equation; issues of technology, quality, and customer service are just as relevant.

"Part of our vision was to reduce suppliers and build alliances," Brown explains, "but we were not shopping price, we were shopping the total cost to get what we want in place." As a result, he says, a typical RFP "was not a straight three-bid-and-take-the-lowest-price process." For instance, Aetna could be willing to pay a little more for some supplies if the vendor promised desktop delivery within a day. And if there were a wrong shipment, there would be no returns or complicated credits and debits; the vendor would simply be penalized for any mistakes and required to ship the correct order.

The result of Brown's supplier shakeout? In 1991, 90 percent of purchasing dollars were paid to about 1,000 vendors; today, an equivalent amount is paid to 300 vendors.

Not surprisingly, electronic data interchange is also key to Aetna's vision for procurement. "EDI is important because it's fast, there are minimal handling costs associated with it, and the margin for error is zero," says Brown. Five years ago, just 13 percent of supplier invoices for Aetna purchases were sent electronically; today it's 58 percent (89 percent of dollars invoiced). In 1992, Brown brought in "about 250 suppliers, 50 at a time, gave them a two-inch-thick book, and made presentations in a big amphitheater. We told them that to do business with Aetna, they would have to do EDI." About 90 percent of the vendors changed; others, particularly "consultants and some contractors," have opted not to. By 1997, says Brown, Aetna will charge vendors for sending paper invoices.

For suppliers reluctant to set up an EDI process, a third-party service provider will digitize their fax-paper invoices and send them into Aetna's system electronically. The cost to the vendor is about \$5 per transaction, says Brown. Currently, about 40 percent of Aetna's EDI invoices are received via the service provider.

How much money has EDI saved? Brown doesn't have aggregate numbers, but says that the cost of processing paper invoices ranged from \$35 to \$40. With EDI, that cost is under \$5 per invoice.

CAN WE HELP YOU?

In March 1993, Aetna rolled out its 1-800-AETNA-PO customer service line, supported by what Brown calls purchasing consultants. These employees have diverse backgrounds (a nurse, an electrical engineer, and a former retail-store manager, among others), and they serve more as advisers and problem-solvers. The same month, Brown virtually wiped out job titles and installed a new pay package in which staffers were given a base salary and bonus opportunity. "Compensation is key in doing this," he says. "It used to be that everybody got the same raise and a minimal bonus. Now everything is performance-based, and you don't see anyone getting a zero raise or zero bonus two years in a row." (By the end of 1995, the entire corporation adopted a similar plan.)

By the spring of 1992, Brown's reengineering efforts were formalized in Aetna's Company Acquisition and Payment Process, or CAPP. Among its features are:

- * an Aetna Purchasing credit card and the elimination of up-front signatures for purchases under \$750;
- * an online catalog of 24,000 goods and services and a printed catalog of 5,000 items that accounts for 98 percent of what Aetna buys;
- * an 800 telephone number to internal purchasing consultants for assistance or for ordering products not in the catalogs;
- * an 800 number and approved list of products for companies with Aetna contracts (fax machines, headsets, business cards, and so on) so that employees can order directly;

* EDI for order placement and invoicing and electronic funds transfer for the top 500 suppliers;

* major contracts for commodity items ranging from office supplies (one supplier, desktop delivery within a day, 22 invoices a year, EDI feed both ways, annual savings of over \$2 million) to temporary help (one agency instead of more than 250, savings in excess of \$7 million over three years).

But Brown discovered it was one thing to formalize CAPP, another to get Aetna employees accustomed to the new processes. "When we found that people were not embracing the CAPP program and still sending in blue requisition forms or buying on their own and sending in invoices," he says, "we started going out and visiting our customers

Aetna departments

. You could have the greatest system in the world, but if the people don't believe in it, it's worthless."

To spread the new gospel, Brown established an adopt-a-customer program for his purchasing consultants, and his department's travel budget shot up from \$20,000 to \$200,000 annually over the past four years. "That may seem like a lot of money, but you have to spend the time and continuously help your customers," he says. In a recent customer survey, Aetna's purchasing consultants received excellent ratings for responsiveness, competence, access, and courtesy over 90 percent of the time. To Brown, that's evidence of leading the parade, not cleaning up behind it.

THE BOTTOM LINE

CAPP has cost Aetna some \$10 million to implement, including systems, severance pay, and so on. But Brown reckons that the program has saved \$45 million to date. Headcount in purchasing and accounts payable has been reduced by more than 50 percent, and material acquisition costs are down by more than 60 percent. Despite \$300 million more in noninventory purchases cycling through the system, the overall cost of the operations is down 42 percent, to \$12 million.

The number of blue requisition forms has been cut in half since February, when Brown announced that Aetna would discontinue the forms in six months. The abandonment rate on the 800 number is less than 2 percent, and almost 60 percent of all invoices are EDI, up from 13 percent in 1991.

More changes are in the offing. Two new ordering systems are being readied to go on line in June. One will be a Windows-like system that allows for complete point-and-click ordering (the current computer system requires some typing); the other will be an interactive voice-response system that will be available on a global basis and allow for phone orders without human interaction. The parallel objectives of streamlining business processes and developing stronger supplier alliances remain a constant, and Brown has set a departmental target of reducing the total budget for purchasing and payables by one-third by the end of 1996 (see "An Unconventional Move," facing page).

All this, says Brown, comes from making purchasing an active partner in the business, rather than a passive watchman. "We're no longer policemen, who tell you what you can't do," he sums up. "We're enablers, who are going to make sure you get what you need."

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Who: Internet Purchasing Roundtable, SupplyWorks,
and American Express Invitees
What: OBI Technical Review
Where: Center for Executive Education, Babson College
Wellesley, Mass.
When: March 21, 1997

On behalf of SupplyWorks and American Express, I invite you to attend the first Open Buying on the Internet (OBI) Technical Review which will be held on March 21, 1997 from 8:30AM to 4:30PM at the Center for Executive Education at Babson College in Wellesley, Mass. We expect approximately 20-30 individuals from 15-20 organizations for this meeting.

Attendees should have a good understanding of the technical issues involved in the design and implementation of Internet-based electronic commerce solutions including experience with one or more of the following: Web servers/applications, Internet servers/protocols, public key encryption and digital certificates, SSL/PCT, EDI document standards, etc.

Background

American Express Corporate Purchasing Services and SupplyWorks, Inc. are working with a number of Fortune-500 buying and selling organizations to create the Open Buying on the Internet (OBI) standard, an open, vendor-neutral, scaleable and secure standard for conducting business-to-business electronic purchasing. The goal is to transact business with major trading partners, particularly with key contracted suppliers of commodity goods and services, using Internet technology.

Participants in the Roundtable share a common business vision that this standard will reduce costs, improve the overall buy-pay process, and increase service levels to end-users. The work of the Roundtable is described fully in "Open Buying on the Internet (OBI) Standard, Release V0.9b" (January 1997).

The high level objectives of the OBI technology standard are:

- provide a common, scaleable blueprint for Internet-based purchasing between OBI-compliant buying organizations and their preferred suppliers of commodity goods and services

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- maximize interoperability across organizations and systems while providing flexibility for companies to independently develop implementation strategies consistent with their internal business process and technology infrastructure
- support an environment that provides requisitioners with electronic access to vendor product and service catalogs, ordering capabilities, order status information and value-added services from their desktops
- support a flexible approach to security and payment services

Goals of the Technical Review

The first release of the OBI standard (V1.0), which will be announced this spring, is focused on support of high volume, low dollar purchasing transactions between Fortune 500 organizations and their major trading partners in 1997. We expect the standard to evolve and are in the process of completing plans for a new consortium that will guide this evolution.

The objectives of the first OBI technical review are to:

- get technical feedback on the initial version of the OBI architecture and specifications from technical staff representing major technology providers as well as Internet Purchasing Roundtable companies
- gain consensus from the assembled group on moving forward to complete the OBI V1.0 technical specifications
- provide attendees with sufficient information that they will be able to assess the level of effort to build OBI V1.0 compliance into their products and services this year

The meeting will include presentations as well as opportunity for open group discussion and feedback.

Tentative Agenda

8:30-noon

Architecture: The OBI architecture is a four-entity model (requisitioner, supplier, buying organization, and payment authority) with limited information flows between entities.

- key requirements influencing the OBI architecture design

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- OBI V1.0 architecture, information flows, user experience
- comparison of alternative architectural models for business-to-business commerce
- assessment of tradeoffs, pros and cons

Security: The OBI security model is based heavily on public key encryption and digital certificates.

- key requirements influencing the OBI security model
- OBI V1.0 security model incl. digital certificates
- comparison of alternative models
- assessment of tradeoffs, pros and cons

1-4:30

OBI Transmission Protocol: The OBI protocol is used to transmit OBI/EDI documents securely over the Internet in real-time between trading partners.

- key requirements influencing the OBI protocol design
- alternative design approaches
- assessment of tradeoffs, pros and cons
- OBI protocol design

OBI/EDI Order Format: The OBI order format is based on the ANSI X.12 850 standard for EDI purchase orders.

- key requirements
- OBI order format(s)

Compliance: OBI V1.0 compliance will focus on minimal requirements for implementation of the OBI standard.

- minimal requirements for buying organizations
- minimal requirements for suppliers
- minimal requirements for agents
- minimal requirements for technology providers

Logistics

Please rsvp to Sally Beerbower of SupplyWorks by March 7 (617-861-7800, ext 1204 or sallyb@supplyworks.com). Individuals will be responsible for their housing and travel arrangements. Sally will provide directions to the Babson Center for Executive Education and recommended lodging in the local area. If you have any questions about the goals or agenda of the meeting, contact Cecilia d'Oliveira of SupplyWorks (617-861-7800, ext. 1202 or cec@supplyworks.com).

Meeting Preparation

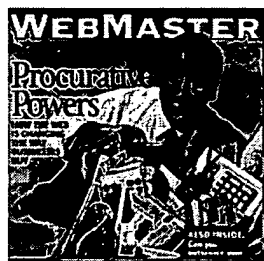
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If you have not already done so, please read "Open Buying on the Internet (OBI) Standard, Release V0.9b" (January 1997). A copy can be obtained from Sally Beerbower. Additional materials will be mailed to you for your review prior to the meeting.

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As commercial transactions and other business uses of the Web pose new technological questions, companies have found an easy way to find hard answers: buy them.

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Mixing It Up

Segregated Internet and intranet development efforts are an idea whose time has come-and gone. Coordinated planning and even collaborative staffing are the wave of the future.

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Organizations as different as General Electric and the General Services Administration have found the same way to save time and money while shopping for their business needs: They let the Web do the walking.

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Author John Hagel describes a future in which consumers provide companies with all the personal information they could ever want-for a price.

Columns

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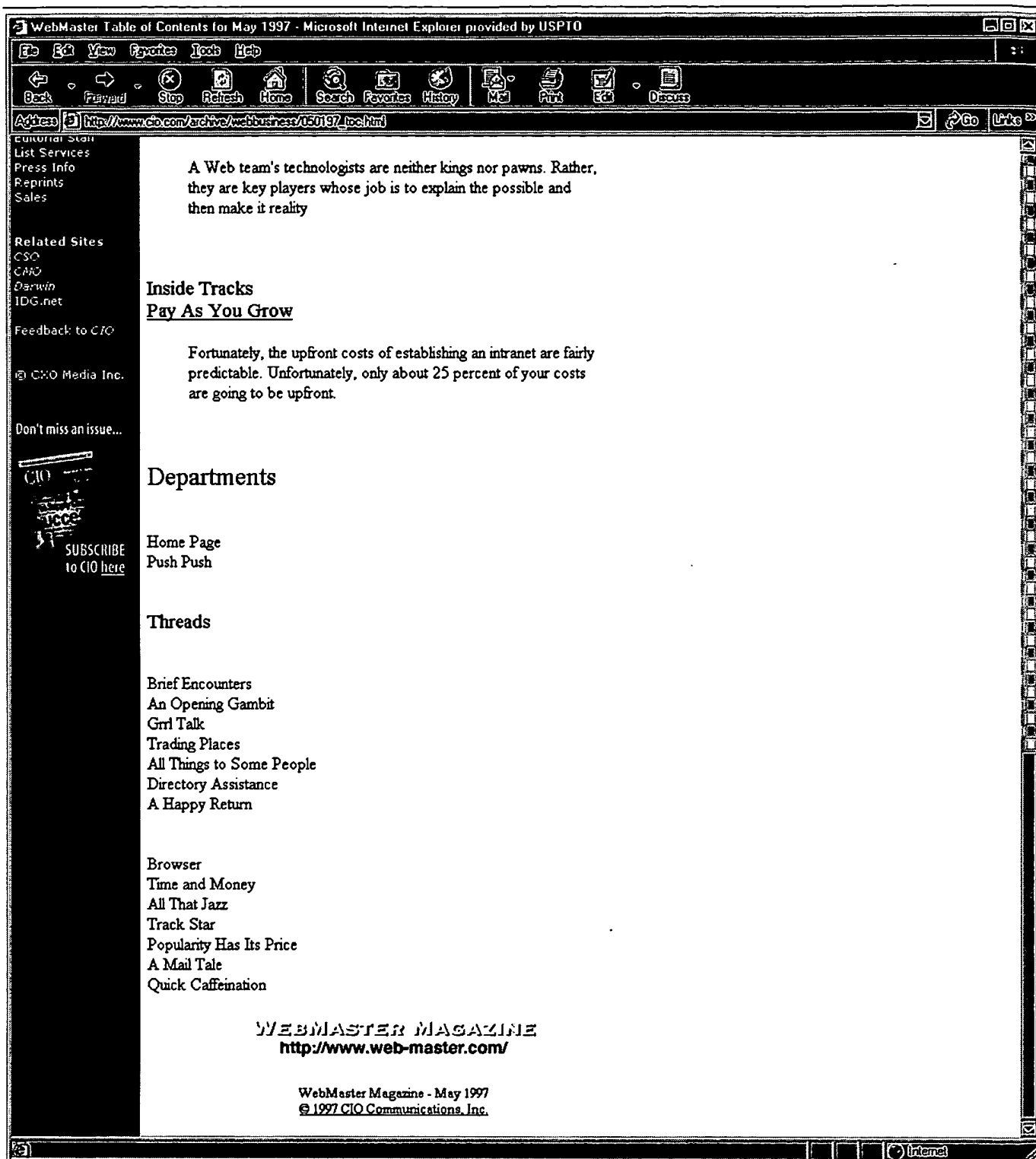
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Jan 1			

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Organizations as different as General Electric and the General Services Administration have found the same way to save time and money while shopping for their business needs: They let the Web do the walking.

By Leigh Buchanan

Procurement is not a well-loved function. While companies have spent the last couple of decades lavishing attention and technology on other departments ("Take this new sales-support system, please") the purchasing group has largely been dismissed as a necessary evil.

That lack of respect isn't surprising when you consider that in an average manufacturing organization, 50 to 60 percent of each sales dollar waltzes back out the door through the purchase of goods and services, experts say. And much of that money isn't money well spent. "In general, we assume that the cost of procurement runs between 1 and 2 percent of the cost of the goods purchased," says Tom Elliott, a consulting partner at Strategy Analytics, a recent spinoff of Giga Information Group. "That's 1 or 2 percent that could be down on the bottom line."

But it is starting to dawn on companies that the Internet, which many are auditioning as a sales tool, can also play a role in the way they buy. Most of the attention so far has been focused on processes for purchasing non-production goods—the nuts and bolts of buying nuts and bolts.

"A company will have figured out a way to buy steel, but it may not have figured out a way to buy legal pads," says Elliott. "And since nobody really cares that much what brand of legal pads they're buying, anything that reduces paper or expedites query and response—Is it available? How many are in stock? What's the shipping time?—cuts out."

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Finding it Online

Alan Raedels' home page of procurement links
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and every one of our requisitioners already had access to a huge Internet infrastructure," he says.

The goal was to present all of MIT's thousands of buyers-faculty, teaching assistants, graduate students and staff-with customized catalogs containing prenegotiated product selections and prices. Office Depot Inc.'s catalog, for example, would offer MIT's educational discount but wouldn't include computers, which the university purchases elsewhere.

For the pilot, Roden's team partnered with Office Depot and VWR Scientific Products, a large distributor of scientific supplies. The companies created MIT-specific catalogs on their own Web sites, with built-in spending authorizations determined by the university. MIT buyers access the catalogs with a password, place their selections in an electronic shopping basket and pay using an American Express Co. corporate purchasing card. Items are delivered the next day.

MIT officially rolled out the system, called ECat, in March. Diane Shea, the university's director of purchasing, says MIT will eventually offer other types of products and services online, including temporary help. "We have a partnership with Olse n Staffing, and we're looking to [get them on the system] as well, maybe with people's profiles and resumes," Shea says.

While the Web can do much to simplify trade relationships, what happens within organizations is at least as complex as what happens between them. Computer maker Unisys Corp., for example, turned to the intranet when its dispersed and disorganized purchasing processes threatened to sink opportunities to leverage corporatewide discounts.

Back in 1995, Unisys had approximately 40 procurement groups operating worldwide, and "nobody knew what anybody else was doing," says Chuck Stemler, the company's director of financial planning for global procurement. "We might have five or six different locations having contracts with the same company-sometimes for the very same commodity-but all on different terms."

Recognizing the need to consolidate contracts and keep them that way, Unisys embarked on an ambitious information-gathering and intranet-development initiative. "The goal was to open every drawer and shake every file and find out who had what contracts and get all that information into a central database accessible via the Web," says Stemler. "Now if you need a certain commodity, you can go in there and find out, 'Oh, our California operation already has a contract for that; I'll piggyback on them rather than start all over again.'"

Unisys's system, dubbed the Global Procurement Network, and now an essential part of the company's intranet, also

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information into a central database accessible via the Web," says Stemler. "Now if you need a certain commodity, you can go in there and find out, 'Oh, our California operation already has a contract for that; I'll piggyback on them rather than start all over again.'"

Unisys's system, dubbed the Global Procurement Network, and now an essential part of the company's intranet, also brings the buying process closer to the rest of the company. For starters, Stemler's group has posted on the network a customized data log from office supply vendor Corporate Express Inc., and it is urging employees to place orders via e-mail. There's also an online guide for end users who need to buy something but haven't a clue how to go about it. "They can key in what they want and find out who the contact is for that commodity and all the steps they have to go through and the forms they have to fill out," says Stemler. "It's being used very extensively."

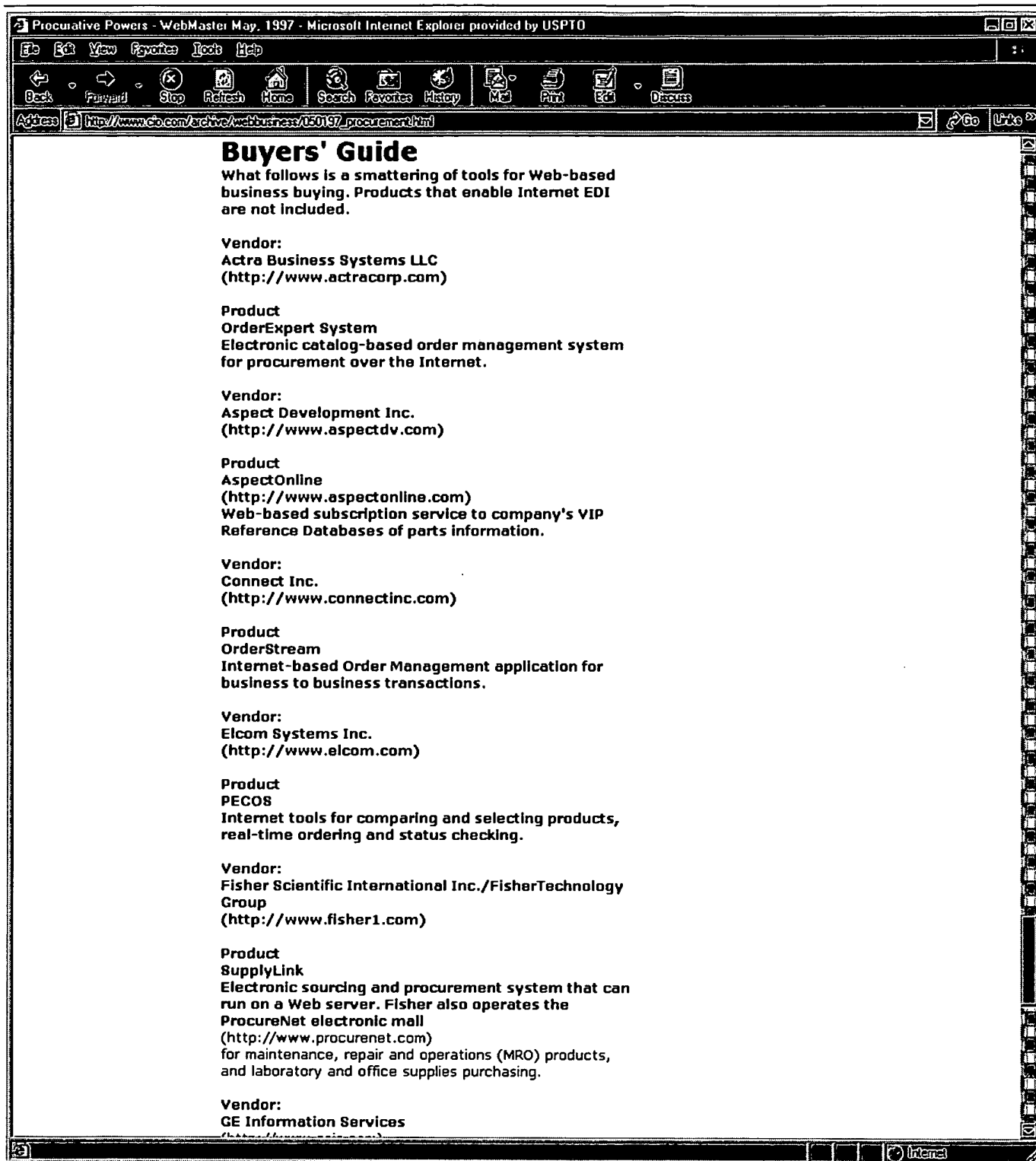
Educating end users is also a goal of GSA Advantage, the General Services Administration's ordering system, which allows federal agencies to buy everything-be it microcomputers or storm windows-through a Web site. The site lists over 220,000 products and is doing \$1 million a month in sales, according to Teresa Sorrenti, director of the Acquisitions Operations and Electronic Commerce Center of the GSA's Federal Supply Service. GSA Advantage helps government purchasers buy wisely without having to master the umpteen different programs available to them, Sorrenti explains. "Some agencies know that they can order an item from a vendor but not that we also keep it in stock for immediate needs. Or they might know that we keep it in stock but not that they can do overnight ordering at a slightly higher price. This way, [requisitioners] can easily see all their options and make a choice based on price and delivery."

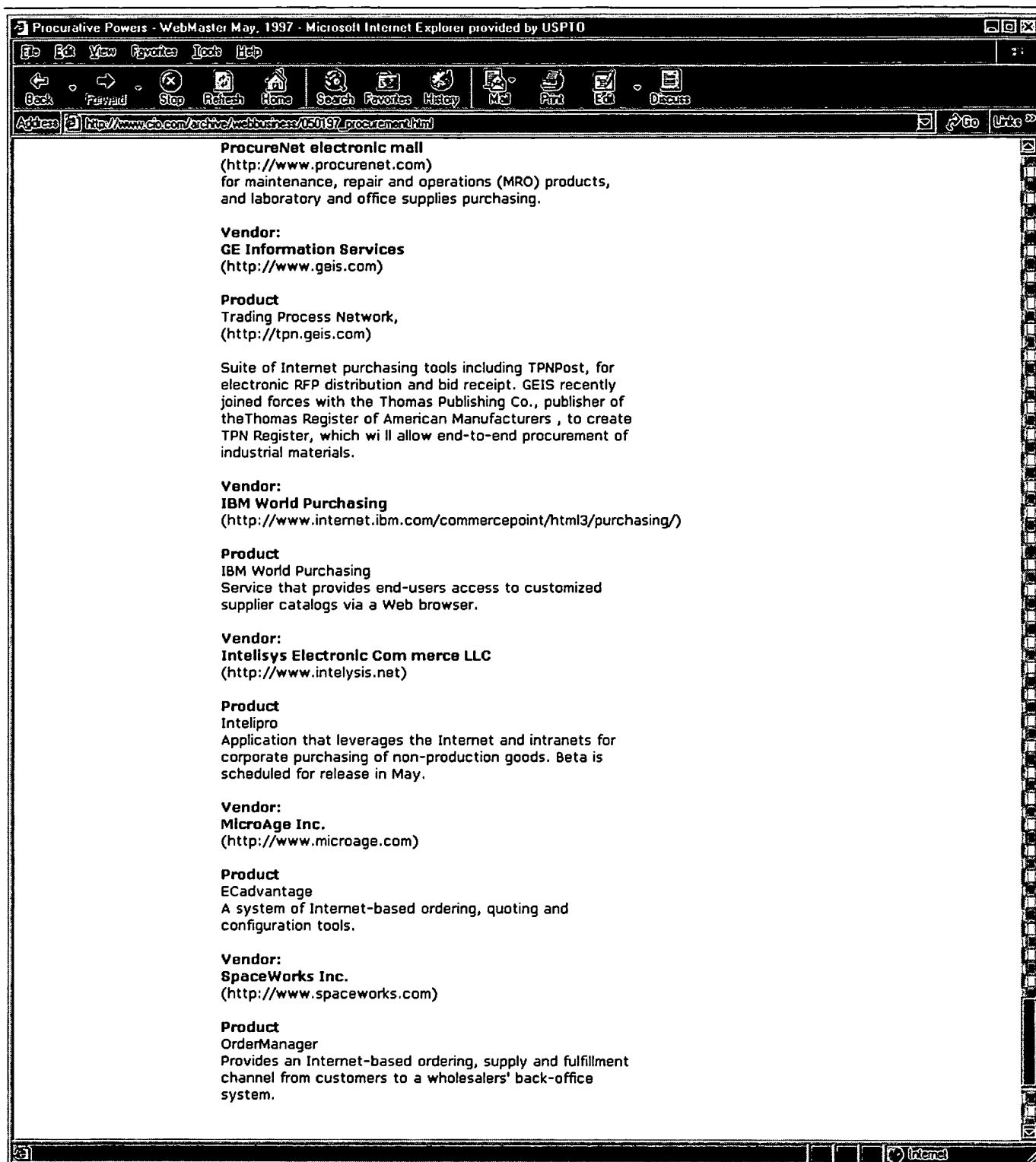
The ability to make "smart buys" is also enhanced by a company's understanding of its own procurement behavior, says Ray Blair, a director of market development at IBM Corp. The IBM World Purchasing service, which allows buying organizations to host browser-accessible supplier catalogs on the Internet, an intranet or on Lotus Notes, also lets managers view transaction information and analyze purchasing trends. "Now I'm going to be sitting at my terminal and instead of looking at a P.O. to fill out or track, I'm going to be looking at what we're actually buying," says Blair. "Now I can make decisions about doing it a better way."

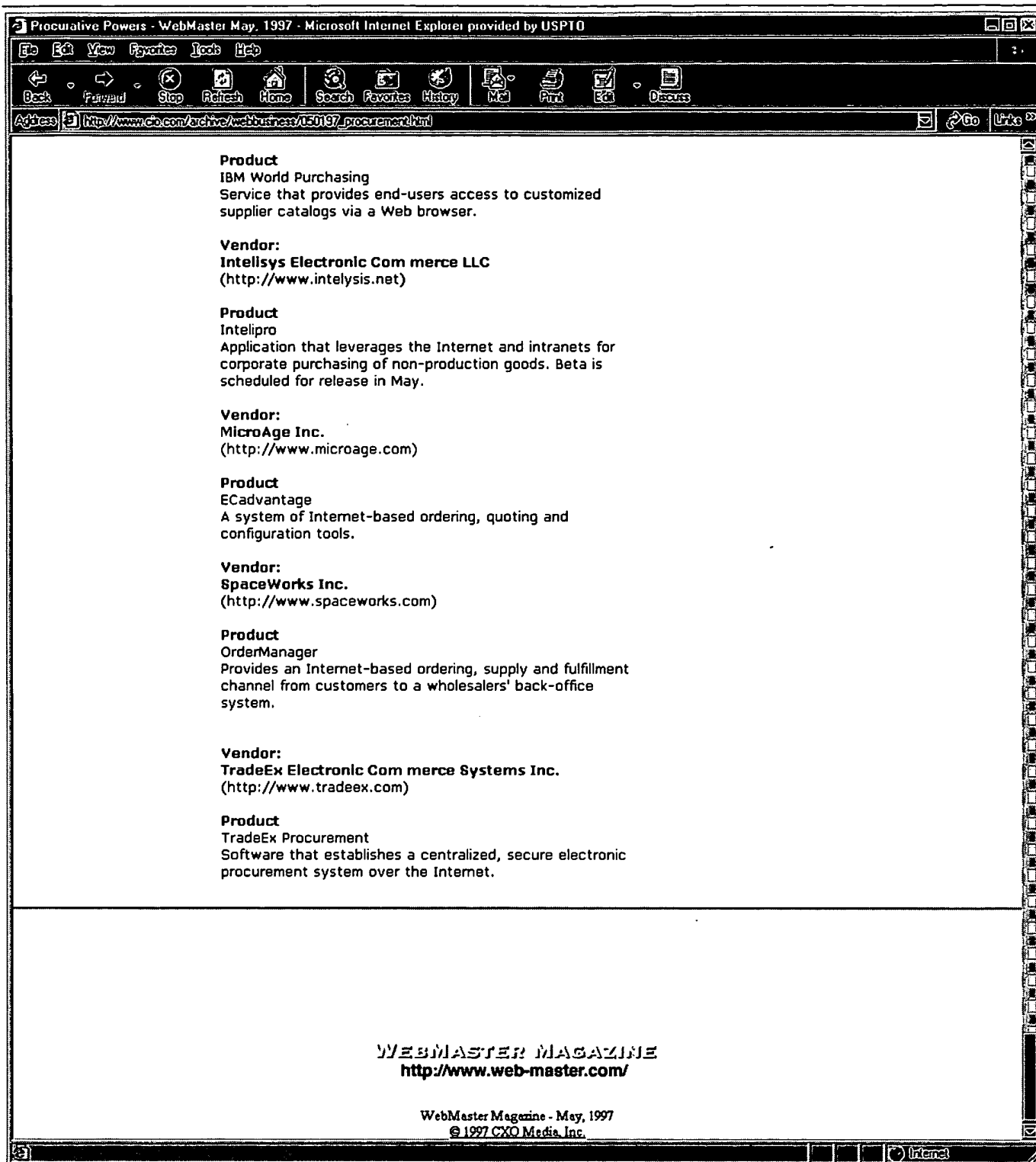
Using an early version of the product, purchasing managers at Lotus Development Corp. determined that requisitioners were unnecessarily buying custom-built-as opposed to preconfigured-PCs, at an additional cost of \$600 a pop.

"Before, they had no way of knowing what people were buying unless they went out and polled them, collected all the data and punched the data into some system," says Blair. "Once they saw the problem, they went back to the end-user executives and said, 'Hey, why are you allowing

Done Internal





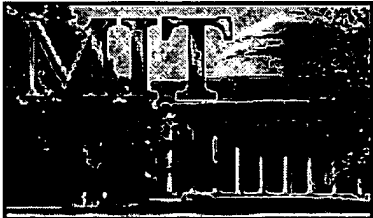



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to
SAP.

Last updated on July 5, 2001

Our team has implemented a world wide web interface to key SAP functions on campus. Our project started in the discovery phase, and moved through the delivery phase, and into the service phase within MIT Information Systems (IS). Naturally we work very closely with the MIT Management Reporting Team (part of the MIT Reengineering Project). On September 14, 1998 we rolled out phase 2 of the SAPweb interface (sometimes referred to as "maxiweb"). This includes not only the ability to display purchase orders from the web (this was rolled out on June 16, 1997), but also the ability to display and create requisitions! We are currently working on software to support the ECAT2 project.

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Requirements
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Business rules

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SAPMIT-L	MIT - SAP Collaboration Mailing List
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SAP-R3-NEWS	SAP-R3 newsgroup.
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MRAUTH-L	MR Authorizations list (not currently in use)

How to contact us:

To contact us, use our team mailing list sapweb-l@mitvma.mit.edu which is maintained and archived on the MITVMA server. Please note that this list is intended for use by members of the team and others who are already involved in the overall MIT SAP effort. Vendors who want to get their foot in the door and all others with general inquiries should contact the team leader directly at relarke@mit.edu. Use the following links to navigate through our web pages:

Other useful links:

- [The SAPweb Environment Selection Page](#)
- [The Apache HTTP Server Project.](#)

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- SITEX10.EXE (self-extracting archive)
Stuffit Expander for Windows. This freeware program can translate various compression formats including BinHex 4.0.
- The Report of the MIT Departmental Procurement Team and the Reply from the Management Reporting Team
- October 31, 1996 SAP Authorizations Presentation (BinHex 4.0)
- November 6, 1996 SAP R/3 3.1G Technical Briefing (BinHex 4.0)
- November 6, 1996 SAP R/3 3.1G Overview (BinHex 4.0)
- November 27, 1996 SAP Authorizations Presentation
- December 18, 1996 SAPWEB Presentation to the MR-All Meeting

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Created on 1996-11-30 by Rocklyn E. Clarke	Revised on 1998-09-23 by Rocklyn E. Clarke
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Working with SAP NEW

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We will maintain a close working relationship with SAP in order to influence future development of the R/3 product. Although we have determined that the modified SAP/R3 3.1g solution is not appropriate for MIT at this time, we would prefer to eventually implement an "all SAP" solution. Early in the summer of 1997 we planned to collaborate with SAP on the development of transactions for their Internet Transaction Server (ITS). Our goal was that the transactions which are most important for MIT's business needs would be developed first and would be implemented in a way that was compatible with our information technology infrastructure. SAP has already done a lot of work in this area and we are

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How SAP works (12/11/96)

MIT Tech Talk * Wednesday, December 11, 1996 * Vol. 41 No. 14
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How SAP works

MIT selected the SAP financial software partly because SAP is an integrated system. This means that once information is entered, it is available throughout the system—thus facilitating faster and smoother processing of transactions and information.

For example, if a department needs to buy a large ventilation fan for a building, the purchase is researched, as it is now, and the most appropriate vendor is selected. With SAP, the next step is to enter the purchase order, which automatically commits the necessary funds. At this point, all of the offices that need to know about this purchase will have the information.

It will no longer be necessary to produce and transmit paper copies of the purchase order and invoice for use by various administrative departments, or to have them enter the information into their own computer systems. Once the fan is received, the department notes that fact in SAP, and Accounts Payable pays the invoice without further approvals or paperwork. The Central Accounting Office can do the calculation for overhead charges. The Property Office receives word through the system that the fan has arrived and can tag it and begin tracking for depreciation. And in Physical Plant, a preventive maintenance schedule for the fan can be set up so that the history of this piece of equipment can be easily tracked.

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Business Process: Goods Receipt and Rejecting Goods Process - Microsoft Internet Explorer provided by USPTO

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Business Process: Goods Receipt and Rejecting Goods Process

Overview

This business process details the steps for receiving or rejecting delivered goods.

Note: The purchase order must be set up requiring a goods receipt.

Procedure

Receive goods

1. Receive the goods and inspect them for visible damage.
2. If you find damage, go to next step. Otherwise, go to Delivery.

Return damaged goods

3. Notify the vendor that the goods were rejected and shipped back to the vendor.
4. Discuss terms and reach agreement on the delivery of replacement goods under the same PO number. Go to Receive goods.

Delivery

5. Forward the goods to the appropriate department.
6. The department enters a goods receipt for the purchase order using the system task Receive Goods Against a Purchase Order (Full / Partial / Over Delivery).
7. The department inspects the goods for any damage or delivery errors.
8. If the department determines that the goods are unacceptable, go to next step. Otherwise, end procedure here.
9. The department reverses the goods receipt using the system task Reverse Goods Receipt for a Purchase Order. Go to Return damaged goods.

End procedure.

Related Procedures

Purchase Order Process - Special Items

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Business Process: Purchase Order Process - Special Items - Microsoft Internet Explorer provided by USPTO

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- Certain items cannot be purchased on a government sponsored research account, unless pre-approved (e.g., alcoholic beverages, unallowable meetings, etc.).

Note: If the requisition is for a Controlled Item (e.g., radioactive materials, drugs, explosives), select the appropriate controlled item(s) material group and G/L account and follow these rules:

- Radioactive materials - The requisitioner enters the catalog number in the short text and the authorization number and the balance on hand in the item note text of the requisition. Route the purchase requisition to the Radiation Protection Office for approval. If the purchase is less than \$2500, the Radiation Protection Office creates the purchase order. If the purchase is equal to or greater than \$2500, route the requisition to the Purchasing Agent for source justification and creation of the purchase order. The Radiation Protection Office is responsible for receiving all radioactive materials.
- Drugs, ethyl alcohol, poisons, nitrous oxide gas, Hypodermic needles and syringes, chemicals, explosives, liquefied petroleum gases - The Purchasing Agent is responsible for obtaining all necessary documentation (i.e., Form 222 for drugs) and verifies that the requisitioner is authorized to purchase the controlled substance. The Purchasing Agent also notifies Safety of any large quantity chemical purchases.

Create a purchase order

6. The Purchasing Agent or the Radiation Protection Agency creates a purchase order using the system task Create a Purchase Order with a Known Vendor.

End of Procedure.

Related Procedures

Purchase Order Process - Standard Purchase Order and Walkthroughs

Purchase Order Process - Purchase Order Requiring Special Handling

Purchase Order Process - EREQ and DAPO

Purchase Order Process - Blanket Purchase Order and Subcontract

System Task: Create a Purchase Order for a Lease Agreement

System Task: Block / Unblock a Purchase Order Line Item for Payment

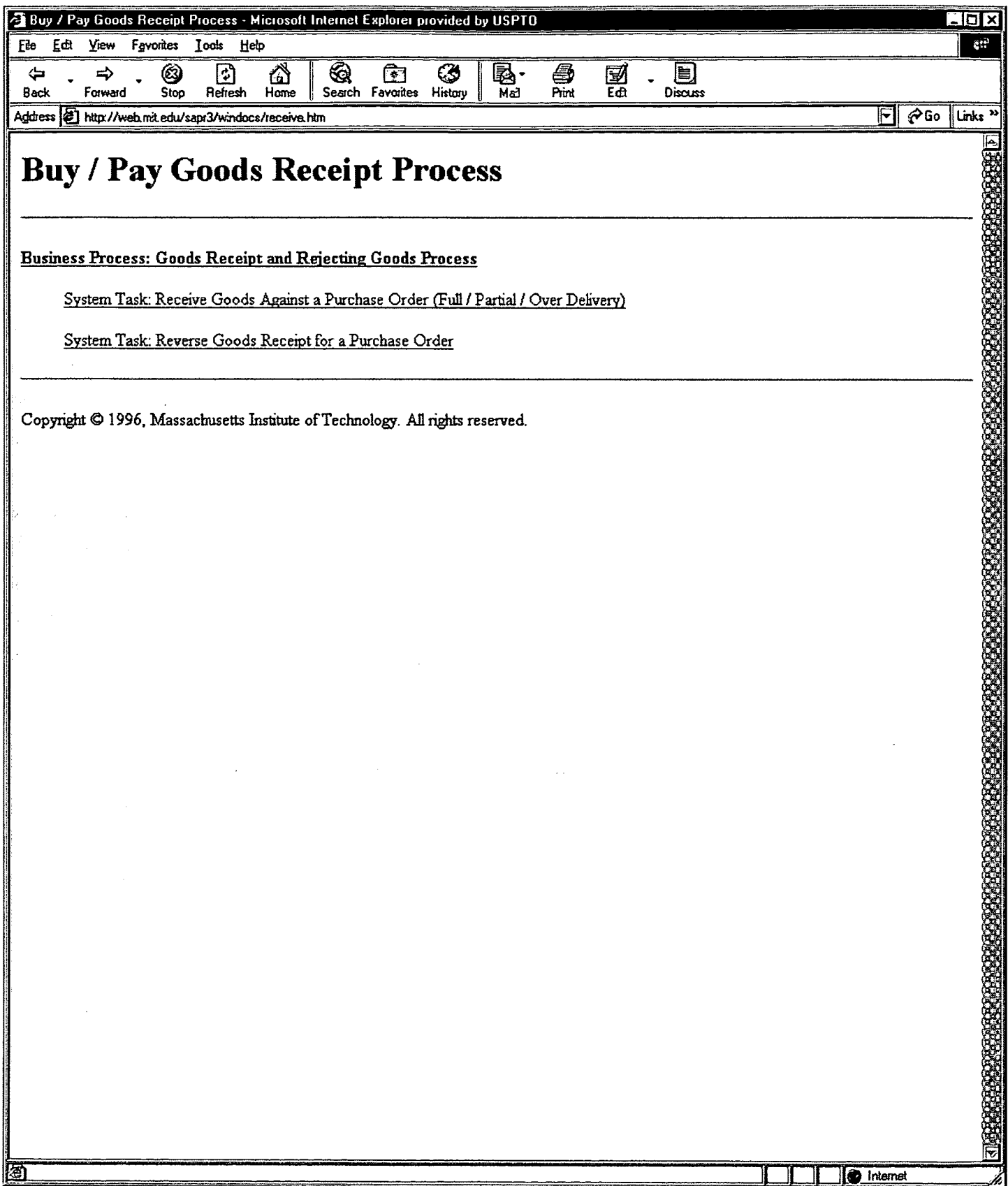
System Task: Change an Existing Purchase Order

System Task: Display an Existing Purchase Order

System Task: Delete an Existing Purchase Order

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Re-engineering the purchasing process at Aetna Inc.

Fritzer, Donna, Smith, Michael. TMA Journal. Atlanta: Nov/Dec 1996. Vol. 16, Iss. 6; pg. 36, 4 pgs

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Abstract (Article Summary)

Since 1991, a companywide integrated team has redesigned Aetna Inc.'s acquisition and payment process into one that is totally automated, requires a leaner support staff, and acquires goods at a cost that is 45% less than the previous process. Aetna managers realized that they needed to achieve 5 critical objectives in order to successfully develop and implement its new process, known as Company Acquisition and Payment Process (CAPP): 1. reducing costs, 2. testing its newly formulated "team approach," 3. convincing employees of the benefits of switching to CAPP from the old paper-based process, 4. creating a new process that would be easier to use, and 5. developing the kind of process that would be a quantum leap improvement. CAPP is a process that enables employees to use desktop equipment to go on line and enter their purchase requests on an electronic requisition form. One major benefit of implementing CAPP is that it requires all Aetna employees companywide to follow a uniform process for making purchases.

Full Text (2501 words)

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[Headnote]

Re-engineering has enabled Aetna to improve its business processes, cut costs and maintain corporate controls.

When Aetna Chairman Ron Compton in 1991 challenged employees to improve and simplify business processes while reducing costs and maintaining corporate controls, managers of the insurance carrier's acquisition and payment operations took the message to heart. Since that time, a companywide integrated team has redesigned the firm's acquisition and payment process into one that is totally automated, requires a leaner support staff, and acquires goods at a cost that is 45 percent less than the previous process.

Aetna managers realized that they needed to achieve five critical objectives in order to successfully develop and

implement its new process, known as Company Acquisition and Payment Process (CAPP). First, the firm wanted to reduce costs; consequently, developing a process that was automated and streamlined was essential. Second, the firm wanted to test its newly formulated "team approach" in developing the new acquisition and payment process. Since successfully implementing the process was going to require the support of numerous departments throughout the corporation, it was important to have those departments participate in developing the process that they later would be using.

In order for the CAPP program to succeed, thousands of employees who routinely make purchases on behalf of the insurer would need to use it. Therefore, convincing these employees of the benefits of switching to CAPP from the old paper-based process was a third critical objective. A fourth goal went hand-in-hand with the third - creating a new process that would be easier to use. Obviously, the easier the new process would be to use, the easier it would be to convince employees to use it.

The fifth critical objective was to develop the kind of acquisition and payment process that would be a quantum leap improvement - to make ①Aetna's process the "Best of Breed." This meant building a whole new process using the "blank sheet of paper" approach. This approach enabled members of the integrated team - the group that formulated the new CAPP process - to work unencumbered by preconceptions about how an acquisition and payment process ought to be structured.

For CAPP to succeed, it needed the support of key senior level ①Aetna managers. Accordingly, before they launched CAPP, integrated team members first enlisted the support of the ①Aetna controller's office as well as the heads of information technology and corporate services. Because each of these operations would be radically affected by the changes CAPP would cause, it was crucial to win the support of each department's managers before introducing the CAPP program to the company in general.

How CAPP works

etna developed a process that enables employees to use desktop equipment to go on line and enter their purchase requests on an electronic requisition form. Because data is stored electronically, the firm has eliminated huge volumes of paper required to make purchases under the old process.

For example, if an employee wants to purchase a personal computer, the entire process can be executed on-line. The purchaser can access the CAPP catalog on line and select the proper components (CPU, modem, VDT, printer, etc.). A requisition is then created and routed for manager approval. After approval, the purchase order is transmitted to the supplier. The purchaser receives the computer and ①Aetna receives an electronic invoice, which is matched against the purchase order. If the two match, the invoice is paid through an electronic funds transfer to the supplier's bank account. Meanwhile, as soon as the PC is received, Aetna's CAPP process automatically creates an asset record for the goods acquired, and sets up the item on an equipment management database for warranty purposes.

Changes Caused by CAPP

Moving to CAPP from the old process required some fundamental changes in the way ①Aetna did business. First, it meant moving from a static process, which had been in place for a number of years, to a new process that continues to evolve.

Second, it meant moving away from a complex, paper-driven system to a simpler electronic process. Because the new process eliminated the mundane clerical tasks associated with handling and filing paper documents, ①Aetna was able to significantly reduce staff. The remaining staff were confronted with the challenge of upgrading their skill sets to reflect the change in responsibilities brought about by the new process. Rather than primarily functioning as clerks, this third change enabled the remaining staff to become analysts and decision makers charged with identifying ways to add value to the acquisition and payment process.

Finally, the role of ①Aetna managers also changed. Instead of critiquing the work of subordinates, today ①Aetna managers are enablers. They help subordinates become more highly skilled and more productive under the new process.

Implementing CAPP

generated if sent in good order

etna established an integrated team to redesign its acquisition and payment process in November 1991. The integrated team included representatives from those departments that would be most affected by the program -- corporate services, purchasing, acquisition services, print, accounts payable and fixed assets. Other departments represented on the integrated team included ①Aetna's treasury, tax, audit and general ledger departments.

Four months later - in March 1992 the integrated team selected purchasing, accounts payable and fixed asset modules to be the core of Aetna's new fully integrated acquisition and payment process. Next, Aetna's information systems staff went to work on two projects. First they built an online catalog of items commonly purchased by ①Aetna employees. IS staff also built electronic data interchange (EDI) interfaces with valueadded networks (VANS) to enable Aetna's system to electronically communicate with trading partners.

In January 1993, ①Aetna staff began using the new CAPP process for the first time. Initial orders were for office supplies - the simplest kinds of acquisition and payment transactions. In April 1993, ①Aetna staff used the CAPP process to purchase office furniture and fixtures -- acquisitions that are slightly more complicated. Finally, in July 1993, ①Aetna shifted its most complicated purchases to the CAPP process. Completing these transactions required placing orders for several different components with several different suppliers. Ordering components to build a personal computer system is an example of one of the more complex purchase transactions made via CAPP. Once CAPP proved effective at handling the full range of purchases ①Aetna routinely made, the insurer began shutting down its old paper-based process in December 1993.

By January 1994, the conversion had succeeded to the point at which ①Aetna employees routinely were executing fully automated transactions. They were issuing electronic purchase orders and receiving goods. ①Aetna was receiving electronic invoices, matching the invoices against electronic purchase orders, and issuing electronic payments.

Two months later, ①Aetna began training field office employees in how to use the CAPP process. The company eliminated separate field office checking accounts that heretofore had funded field office purchases. By June 1994, some 3,400 ①Aetna employees were making their purchases via CAPP.

In June 1995, ①Aetna began upgrading its CAPP software package, a process which took six months to complete. The software upgrade demonstrated a philosophy of continuous improvement - a strategy that the insurer wants to incorporate into its overall corporate culture.

Benefits of CAPP

ne major advantage of implementing CAPP is that it requires all ①Aetna employees companywide to follow a uniform process for making purchases. Because it is fully electronic, CAPP also eliminates the need for individuals to maintain paper records. And because data is keyed into the CAPP process only once, it eliminates the potential for errors resulting from repeated data entry.

Other specific benefits of the new process include:

LOWER MATERIALS ACQUISITION COST.

This has been the biggest bottom-line benefit of the CAPP program. In 1992, ①Aetna estimated the firm's cost of acquiring goods was roughly seven cents for every one dollar purchased. By 1995, when the CAPP process was fully implemented, the average acquisition cost fell to 1.5 cents per dollar - a 78 percent reduction. In 1997, ①Aetna hopes to further lower that cost to one cent per dollar. A large portion of the cost savings is in reduced staffing required to maintain the new system. In 1996, some 80 staff and \$10.5 million in hard costs are directly associated with Aetna's acquisition and payment process. That compares with 213 staff and \$18.7 million in hard costs five years earlier. In 1997, ①Aetna hopes to further lower its acquisition and payment operation to 70 staff and \$8 million in hard costs.

INCREASED EDI UTILIZATION. In 1995, ①Aetna received 89 percent of all of its invoices electronically. These invoices accounted for \$800 million in sales. This compares to electronically receiving 60 percent of invoices (\$650 million) a year earlier and 33 percent (\$400 million) in 1993. ①Aetna expects its CAPP electronic invoice volume to top out at about 90 percent of purchases. For the remaining 10% of suppliers, the number and dollar volume of ①Aetna purchases are not significant enough for the company to move to a fully electronic process.

Nevertheless, ①Aetna hopes to automate these purchases by persuading these suppliers to accept purchasing card transactions. By using purchasing cards as an alternative for low-volume suppliers, ①Aetna hopes to reduce its number of monthly check and electronic payments. At the same time, it hopes to improve its record-keeping for the low-dollar purchases typically made with a purchasing card.

BENCHMARKING. ①Aetna built into CAPP a benchmarking activity to enable the firm to measure its performance against industry leaders. Accordingly, since CAPP's inception, representatives of 33 corporations have visited ①Aetna to learn about CAPP and to share ideas about their own acquisition and payment programs. These firms include five banks, two insurance firms and four other non-bank providers of financial services. To assist in the benchmarking process, ①Aetna has developed questions to ask each visitor.

Because of CAPP's success, ①Aetna today is recognized as a leader not only in the insurance industry but also among all U.S. businesses seeking to automate their acquisition and payment operations. Capitalizing on its reputation and on the expertise gleaned from developing CAPP, ①Aetna has formed Aetna Business Resources, a newly formed subsidiary, to provide consulting to other firms on a fee-for-service basis.

EASY ACCESS. The CAPP process makes it easier for ①Aetna employees to acquire goods on behalf of the insurer. Besides online ordering via desktop equipment, employees can use the company's new interactive voice response system to place fully automated orders. In addition, employees may place orders directly with certain large volume suppliers, who maintain toll-free phone numbers exclusively for ①Aetna orders. Finally, employees can make infrequent and emergency purchases via purchasing cards tied to the CAPP program.

ELIMINATION OF NON-CORE FUNCTIONS. Now that Aetna's Accounts Payment unit receives 89 percent of its invoices electronically, it has outsourced most of its remaining paper-based transactions to a processing center that is another unit of ①Aetna. Only exception item processing remains in-house. This strategy is consistent with Aetna's philosophy of maintaining in-house only those functions that are core activities of the insurer.

Purchasing Cards at ①Aetna

When ①Aetna began implementing its CAPP system, it realized that it would not be feasible to try to convert all of its purchasing transactions to an electronic process in CAPP. For suppliers processing infrequent, low-dollar purchases and emergency purchases, moving to CAPP was not cost justified.

While recognizing this, ①Aetna still wanted to achieve whatever processing improvements it could. Accordingly, for the past year the insurer has been encouraging employees to use purchasing cards for low-dollar and emergency purchases. ①Aetna has encouraged purchasing card use because the card provides the same automation and record-keeping benefits as CAPP, while requiring a smaller technological investment by ①Aetna suppliers.

A purchasing card's pre-set per-transaction and aggregate dollar limits and blocking characteristics enable ①Aetna to control both the types of purchases made and suppliers used. Each card is restricted to a single cardholder and one cost center. Another benefit for ①Aetna is having to write only one check for each statement period. As use of purchasing cards by ①Aetna employees increases, this will decrease the number of checks that ①Aetna otherwise has to write each month to small-volume suppliers.

Perhaps the biggest benefit of purchasing cards is that ①Aetna receives monthly electronic transmissions of purchasing card transaction detail from its purchasing card service provider. ①Aetna automatically uploads this information to supplement the purchasing data provided by the on-line CAPP program, giving the insurer a complete purchasing activity report for any given period.

Employees use purchasing cards to acquire supplies that either are urgently needed or not available through an ①Aetna national purchasing contract. Employees also use the cards to pay one-time payments, such as membership dues, conference fees, and continuing education expenses.

①Aetna hopes to use the lure of faster payment to persuade small-volume suppliers to accept purchasing cards. If it accepts a purchasing card transaction, the supplier typically receives payment within a few days. In contrast, under a typical invoice arrangement, the same supplier has to wait 30 to 60 days from invoice date to receive payment, depending on terms of the contract.

APMC/HealthWays is an [Aetna](#) business unit that regularly benefits from using purchasing cards. APMC/HealthWays operates primary care physician practices in selected regions throughout the country. The firm's administrators use these cards to purchase low-dollar, incidental items from infrequently used suppliers. Examples include facility maintenance and repair items, trade association memberships and dues, and medical and pharmaceutical supplies.

[Aetna](#) began its campaign to encourage purchasing card use by alerting business unit CFOs to the significant expense involved in receiving, processing and paying paper invoices and went on to explain how using a purchasing card offers many of the same costsaving benefits as a CAPP transaction. Next, the accounts payable unit circulated flyers promoting the ease and benefits of using a purchasing card for one-time purchases to 4,000 employees who commonly make purchases. As a result of the campaign, the number of purchasing cardholders within [Aetna](#) has increased to 460 from 50 since January 1996. The firm hopes to increase the number of users to 1,000 by the end of this year.

Future Objectives

etna plans to introduce point-and-click functionality into its CAPP system as it migrates CAPP from a mainframe to a client-server environment. It also hopes to enhance its on-line catalog with electronic images of products when it moves the catalog to the company's Intranet, a step that will provide broader accessibility to the catalog as well as potential links to suppliers' Internet catalogs.

Finally, [Aetna](#) would like to push automation even further to those suppliers who do not have the volume to justify a fully automated link to its CAPP system. In 1995, some 50 percent of all invoices that [Aetna](#) received were from such suppliers. The invoices typically were for purchases of \$100 or less. [Aetna](#) hopes to convert most of these transactions, which today are still paperbased and manually processed, to purchasing card transactions.

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Application Number: 09/429758

Provisional Application 60044372, filed 04/28/1997

Filing Date: 10/28/1999

Application 60044372

, filed 04/28/1997

Attorney Docket Number: ARIB-P0110-U

Third Level Review: NO

Secrecy Order: NO

Title of Invention: **OPERATING RESOURCE MANAGEMENT SYSTEM**

Was provisional copending? 60044372 filed 04/28/1997, expired 1 year later, 04/28/1998

PCT US98/08407, filed 04/27/1998 claims priority from 60044372, priority claim presumed valid on 01/06/03

Assignee: ARIBA, INC., 1565 CHARLESTON ROAD, MOUNTAIN VIEW, CALIFORNIA 94043

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FAOM 07/10/2002 Claims 1-34 are rejected under 35 U.S.C. 103(a) as being unpatentable over King et al. (US Patent 5,319,542) in view of Gardner (US Patent 5,758,327) and further in view of Lemble (US Patent 5,315,504).

FINAL: 01/06/2003 Claims 1-50 are rejected under 35 U.S.C. 103(a) as being unpatentable over King et al. (US Patent 5,319,542) in view of Gardner (US Patent 5,758,327) and further in view of Lemble (US Patent 5,315,504).

Advisory action: 03/21/2003

04/07-04/10/03. Spoke with andre gibbs, attorney – he wanted to reverse finality and to be allowed to enter amdt, spoke with Jeff smith. I called Mr. Gibbs, advised him enter RCE or appeal or petition. He was afraid I might issue first action final based on prior art & prior rejections. I told him I would not issue first action final & I would do new search.

05/01/03 – ctc Gibbs – phone interview May 7 at 1200 DC time to review RCE

RCE – 1, 04/23/03

RCE – 2, 05/17/04

Inventor Name	City	
ADAMS, NORMAN	Sunnyvale	CA
BROWN, MARC	Palo Alto	CA
CARLSTROM, BRIAN	Santa Clara	CA
ELKIN, BRIAN	Sunnyvale	CA
HEGARTY, PAUL	Fremont	CA
HASKIN, GUY	Sunnyvale	CA
PUTANEC, BORIS	Menlo Park	CA

Continuity

Parent data for 09/429758: 09429758 Claims Priority from Provisional Application 60044372, filed 04/28/1997

Child Data for Provisional Application 60044372

09276921 (Nguyen,Cuong, issued 03/20/2003) Claims Priority from Provisional Application 60044372

09429758 (JZ) Claims Priority from Provisional Application 60044372

09464290 (abandoned in preexam, 03/29/2000) is a continuation of 09276921

PCT/US98/08407 (Nick Rosen, 409 mailed 11/18/1999) Claims Priority from Provisional Application 60044372

JZ: get 09276921 (Nguyen,Cuong, issued 03/20/2003) docket **ARIB-P0800**)

Appl	Filed	Patent	status	inventor	assignee	Title
07629222				Hegarty Paul		Method And Apparatus For Inter-Program Communication
08339649		5446896		Hegarty Paul	Next software	Method And Apparatus For Inter-Program Communication
09127197				Brown , Marc F.		Method And Apparatus For Storing Digital Images
09131048	08/07/1998	6285989	09/04/2001			
09276921	03/26/1999	6606663 Nguyen Cuong	03/26/1999	Brown, Marc, Hegarty Paul	Trading Dynamics Ariba	Method And Apparatus For Ordering Items Using Electronic Catalogs
09276921		6606603				
09328193		6584451				
09339325						
09347110						
09410856						
09426410						
09429758	10/28/1999	ARIB-P0110-U	10/28/1999	Brown, Marc, Hegarty Paul	Trading Dynamics Ariba	Operating Resource Management System
09430262						
09866107	05/25/2001	20020035514	Shaffer, Eric AU3623		Priority 60/207314	Method And System For Providing Multi-Organization Resource Management
60044372	04/28/1997		Expired 04/28/1998	Brown, Marc, Hegarty Paul	none	Operating Resource Management System
60207314	05/26/2000		expired			Multi-Organization Resource Management
60244670			10/31/2000	Brown, Marc E.		Web-Linked/Hierarchical Cd Rom On Internet Business Method Patents

ADAMS, NORMAN
BROWN, MARC
CARLSTROM, BRIAN
CRUIKSHANK, KIRK
ELKIN, BRIAN
EPHRATI, EITHAN Y.
HASKIN, GUY
HEGARTY, PAUL

JOSEPH, JOSHY
PUTANEC, BORIS
RAGHAVAN, SRINIVASAN SUNDAR
RHEE, JIM
SHOHAM, YOAV
WELLMAN, MICHAEL P.
WHITLEY, KEVIN

PDN(<04/27/1997) and (receipt or receive or receiving or received) and (accept or reject or return) and (deliver or delivery) and (purchasing or procurement or requisition) and (electronic or automated or automate) and (acknowledge or acknowledged) and (supplier or vendor) and (EDI)

Information interchange builds path for suppliers

Blake, Laura. Grand Rapids Business Journal. Grand Rapids: May 31, 1994. Vol.12, Iss. 22; Sec. B. pg. 1
be released June 1. The two groups are beginning to draft versions of forms 850 (Purchase Order, Blanket P.O., Release P.O. and P.O. Discrete/Spot Purchase); 855 (P.O. Acknowledgment); 824 (Application Advice); 860 (P.O. Change); and 865 (P.O. Change Acknowledgment). Discussions are under way over forms **861 and 854** (Acknowledge Receipt of Product and Any Problems); 810 (Invoice); and 820 (Remittance and Payment).

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PDN(<04/27/1997) and (receipt or receive) and ((accept or reject or return) pre/5 (product or item or goods)) and ((purchasing or requisition) pre/20 (track or tracking))

Open Buying on the Internet (OBI) Standard, Release V0.9b"
Internet purchasing roundtable

Microsoft Commercial Internet System
Netscape BuyerXpert